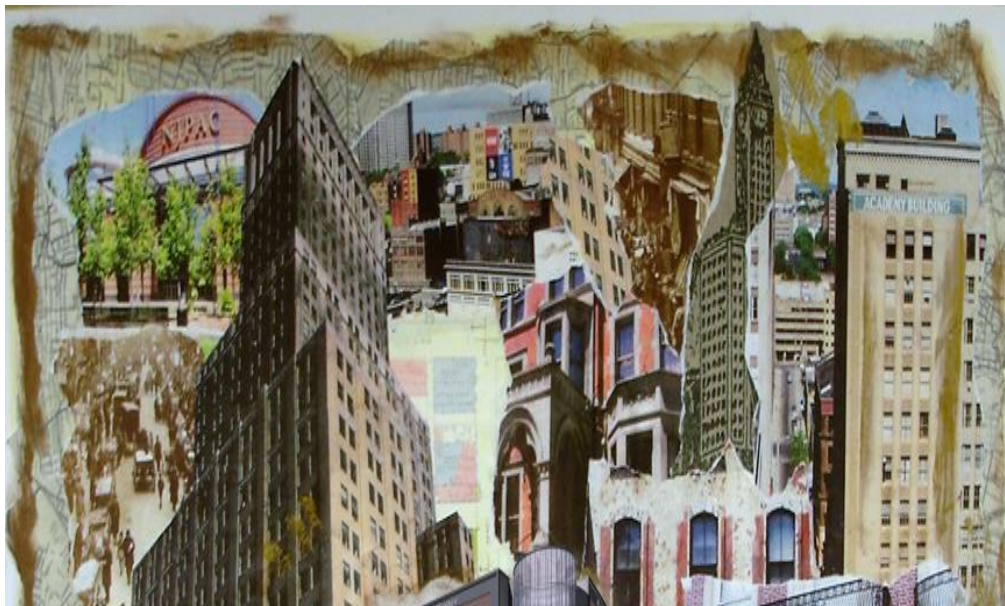


NJIUA

New Jersey Insurance Underwriting Association

2020 Annual Report



The 52nd Annual Report



NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

2020 Annual Report

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New Jersey Insurance Underwriting Association

2020 Annual Report

Message from the Chair and the President

The year 2020 presented challenges as well as opportunities for the Association to thoroughly test our business continuity plan and at the same time be creative in finding ways to find solutions to issues that were unique due to the pandemic. By March 16th all but a small staff converted to a work from home environment. The associates adapted rather quickly to working remotely with minimal interruptions to carrying out the day to day operations of the business. With that said we never lost sight of our Mission Statement. **“Today, the mission of NJIUA is provide essential property insurance to applicants who cannot secure coverage in the voluntary market. As the market of last resort, we will not seek customers, and will not encourage producers to place business with us. We will be accessible and easy to do business with and for those who must use the residual market. We will provide accurate information and timely response. We will settle legitimate claims promptly and fairly, while resisting fraudulent activities.”**

2020 Financial Results

The financial results were greatly impacted by an increase in large losses over prior year, several declared catastrophic events and less favorable adjustments to the defined benefit plan and post-retirement medical trust program. The combined affect of these component and in particular the reported large losses resulted in an underwriting loss of \$1,554,495. Investment gains of 188,514 and \$11,984 of other income narrowed the overall year end net loss to \$1,353,987 compared to a gain of \$364,564 in 2019. It is worth noting that investment income was \$100,000 lower in 2020 compared to 2019 as interest rates turned lower throughout the year.

Year end written premium was \$6,280,914, a decline of \$668,695 or 9.6% from 2019. Earned premium experienced the same 9.6% decline to finish the year at \$6,629,478 compared to \$7,335,752 for the same time frame. New business applications and renewals for residential and commercial properties continue their decline from year to year. Policies in force were lower 1,122 to end 2020 with 8.783 or 11.3% The pattern of near or double digit percentage decreases in key metrics highlights the fact the New Jersey property insurance marketplace continues to thrive.

Underwriting expenses was a bit of a bright spot for the Association in 2020. The \$3,339,867 was 14.4% or \$562,994 lower than last year’s \$3,902,861. The expense ratio of 53.2% was 3 points lower than in 2019.

There were 379 claims reported during the year, an increase of 86 over prior year. As mentioned earlier there were five catastrophe events in 2020 with the largest being tropical storm ISAIAS in August. The total payments for these events was \$1,015,629 with ISAIAS accounting for 50% of the losses. There were 35 open claims at year end.

Claim and claim expenses increased by 43.7% or \$1,472,070 to \$4,844,106 compared to \$3,372,036 in 2019. The twelve large losses closed in 2020 accounted for 42% of the total dollars paid in indemnity and expense payments. In comparison to last year large loss severity increased on average by approximately \$10,100. The corresponding loss ratio of 73% was 27 points higher than 2019's 46%. The combined ratio increased by 24 points to 126.2% compared to 102% last year.

The year end net loss of \$1,353,987 was a disappointment after a \$364,000 gain in 2019. We are optimistic that things will improve as the new year moves forward.

2020 Highlights

Association management conducted a review of rate adequacy in the second quarter. Working with members of the Underwriting Committee and Board of Directors, the recommendation to file for a rate increase was approved.

In response to the New Jersey Department of Banking and Insurance various orders pertaining to the pandemic, the Association was able to quickly make adjustments to standard practices in order to comply with the Commissioner's directives.

The annual catastrophe exposure analysis was completed in August by reinsurance intermediary Guy Carpenter. As seen in previous studies the exposure to catastrophic loss diminishes in concert with the decline in policy count. 2020 was no exception to this with the results indicating the exposure level was well within the Association's retention level and assessment parameters.

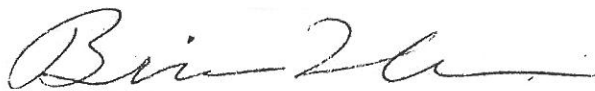
In June the Board of Directors approved the Finance and Audit committee's recommendation to close policy year 2017. The final reconciliation indicated a very small loss and the Board of Directors approved the recommendation to take no action based on the financial condition of the Association.

A major 2020 objective was to begin the due diligence process to identify vendors to potentially replace the Association's policy administration legacy system. This action was postponed in the early part of the year due to the pandemic. The search resumed in the third quarter and three candidates were selected for further discussion by year end. System demonstrations are scheduled for the January and February with a final decision expected in March.

In an effort to make more information available online and enhance customers self service capabilities, mortgage holders are now able to access their mortgagee's payment information on the Association's website in lieu of calling for the information.

We wish to extend our sincere appreciation to Department of Banking and Insurance Commissioner Marlene Caride, Assistant Commissioner of Property and Casualty Insurance Carl Sorenson, Insurance representatives Mark Nussenfeld and Bill Horner and others at the Department for their support.

We also extend our thanks to legal counsel Hugh Francis who retired in July after many years of distinguished service to the Association and to his successor, Cynthia Borrelli. Special recognition goes to all members of the Board of Directors, Chair Brian Connors, Vice Chair Pamela Septer and Committee Chairs, Vince Noggle, Timothy Cronin, Richard Landers, Karolina Cyburt and Joanne Searles for their advice and guidance on our business activities.



Brian F. Connors
Chair, Board of Directors



Steven Mutterperl
President

New Jersey Insurance Underwriting Association

Financial Highlights

Year Ending December 31,
(Unaudited)

	2020	2019
PREMIUM WRITTEN	\$6,280,914	\$6,949,609
PREMIUMS EARNED	6,629,478	7,335,752
LOSSES INCURRED	4,104,173	2,584,598
CLAIM EXPENSES INCURRED	739,933	787,438
EXPENSES INCURRED	3,339,867	3,902,861
UNDERWRITING (LOSS) GAIN	(1,554,495)	60,855
ADD NET INVESTMENT GAIN	188,514	288,982
TOTAL OTHER INCOME	11,994	14,727
NET OPERATING (LOSS) GAIN	(\$1,353,987)	\$364,564
LOSS RATIO	73.07%	45.97%
EXPENSE RATIO	53.17%	56.16%
COMBINED RATIO	126.24%	102.13%

New Jersey Insurance Underwriting Association

Statements of Admitted Assets, Liabilities and Members' Equity - Statutory Basis

	As at December 31, (U n a u d i t e d)	
	2020	2019
Admitted assets		
Cash and invested assets:		
Bonds	\$1,282,739	\$1,247,748
Equity securities	1,339,568	1,217,589
Cash and short-term investments	6,645,437	8,524,467
Total cash and invested assets	9,267,744	10,989,804
Accrued investment income	27,361	76,831
EDP equipment	21,707	15,527
Premiums receivable	94,602	97,307
Total admitted assets	\$9,411,414	\$11,179,469
Liabilities and members' equity		
Liabilities:		
Unpaid losses	\$1,254,013	\$1,012,317
Unpaid loss adjustment expenses	323,369	283,264
Unearned premiums	3,127,920	3,476,484
Advance premiums	163,490	198,972
Amounts held for others	65,348	83,897
Payable for securities	679	-
Accrued expenses	130,700	113,054
Other liabilities	42,397	46,984
Claim checks payable	5,000	11,911
Premium taxes and filing fees payable	120,274	122,063
Postretirement benefits	1,013,529	882,887
Defined pension plan benefits	427,230	961,700
Total liabilities	\$6,673,949	\$7,193,533
Members' equity	2,737,465	3,985,936
Total liabilities and members' equity	\$9,411,414	\$11,179,469

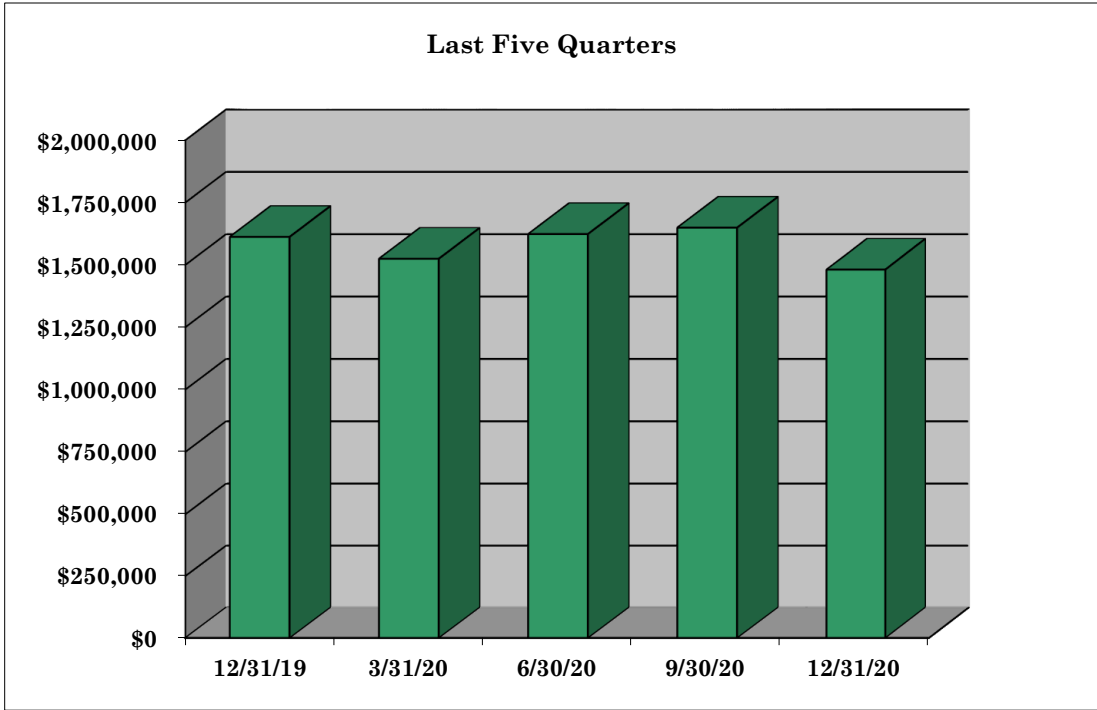
New Jersey Insurance Underwriting Association

Statements of Operations and Changes in Members' Equity - Statutory Basis

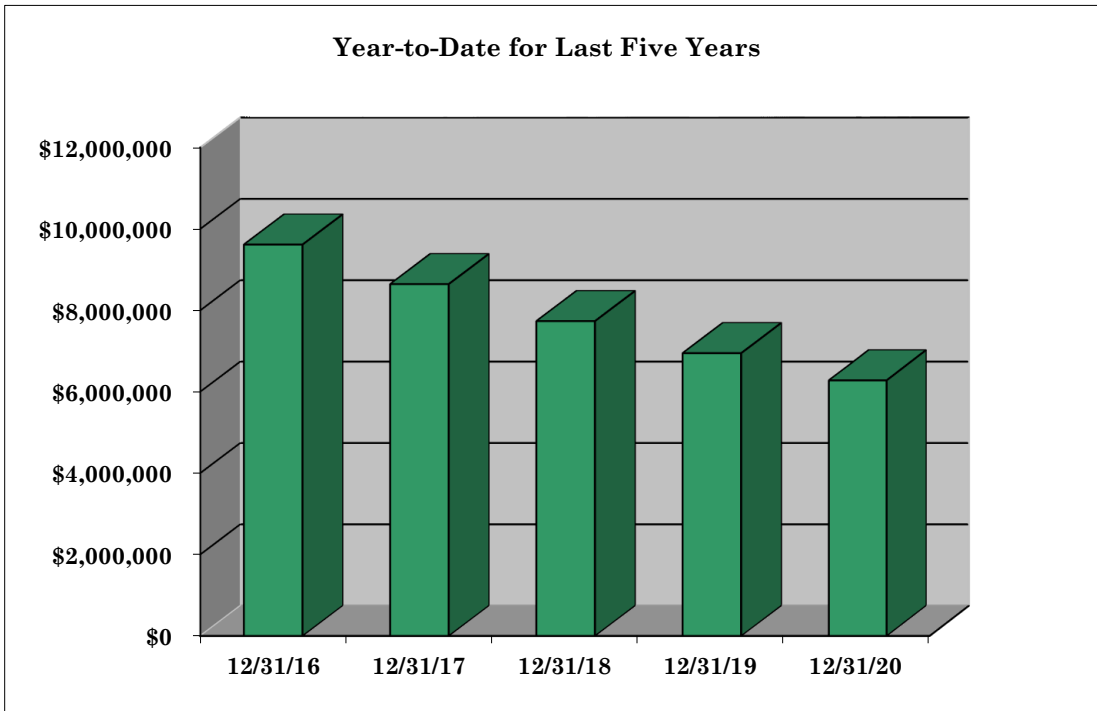
	Twelve Months Ending December 31, (Unaudited)	
	2020	2019
Underwriting income:		
Net premiums written	\$6,280,914	\$6,949,609
Change in unearned premiums	348,564	386,143
Total underwriting income	6,629,478	7,335,752
Underwriting expenses:		
Losses incurred	4,104,173	2,584,598
LAE incurred	739,933	787,438
Commissions	506,474	563,334
Other underwriting expenses	2,764,221	3,304,403
Premium taxes and filing fees	69,172	35,124
Total underwriting expenses	8,183,973	7,274,897
Net underwriting (loss) gain	(1,554,495)	60,855
Other income	11,994	14,727
Net investment income	188,514	288,982
Net (loss) gain	(1,353,987)	364,564
Members' equity at beginning of year	3,985,936	3,562,778
Change in nonadmitted assets	31,204	118
Change in net unrealized capital gains	74,312	58,476
Members' equity at end of year	\$2,737,465	\$3,985,936

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Written Premium - All Lines



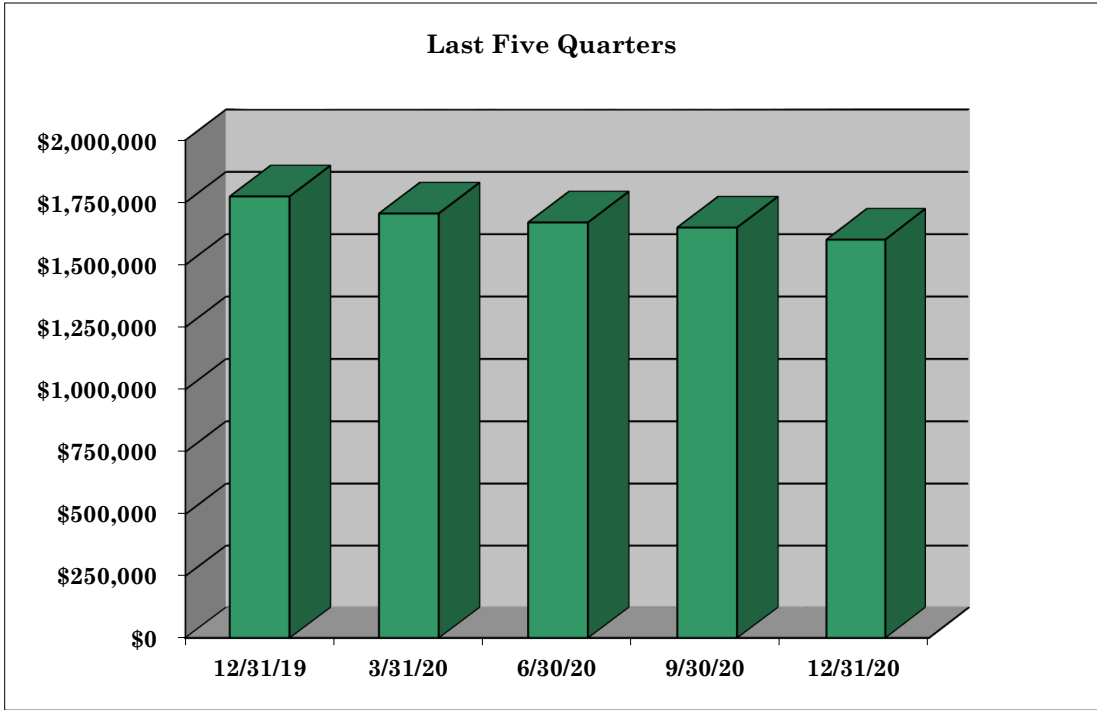
<u>Quarter Ending</u>	
12/31/19	\$1,612,815
3/31/20	1,525,117
6/30/20	1,624,152
9/30/20	1,649,964
12/31/20	\$1,481,681



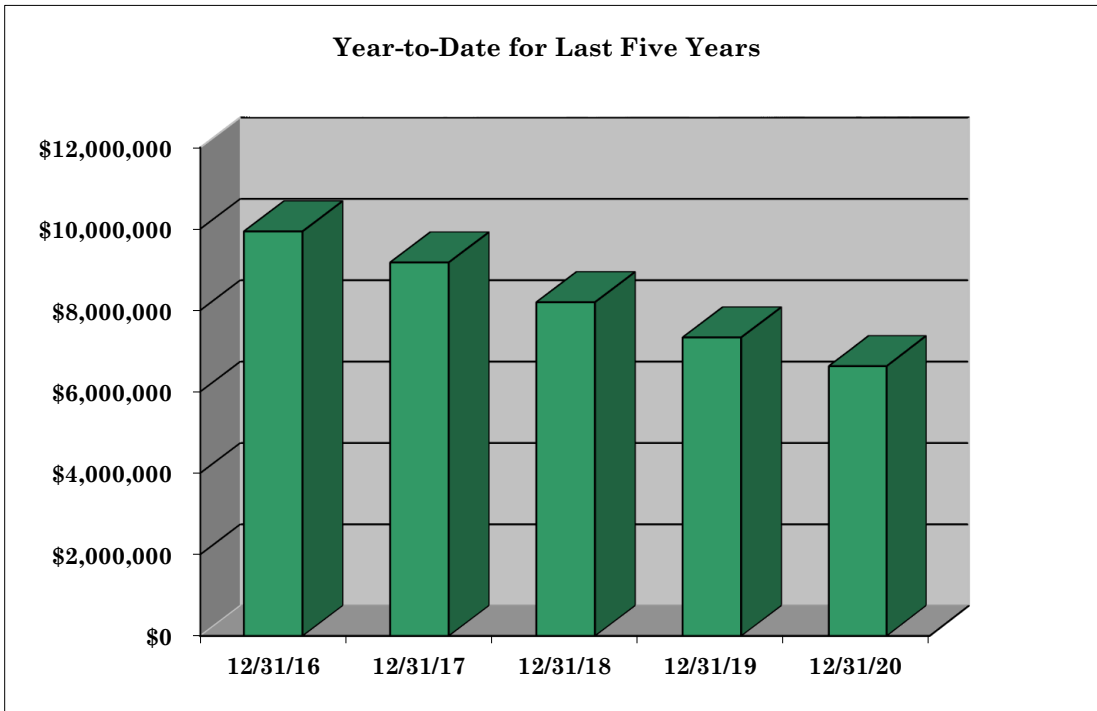
<u>Period Ending</u>	
12/31/16	\$9,617,729
12/31/17	8,645,921
12/31/18	7,736,552
12/31/19	6,949,609
12/31/20	\$6,280,914

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Earned Premium - All Lines



Quarter Ending	
12/31/19	\$1,774,945
3/31/20	1,706,522
6/30/20	1,670,635
9/30/20	1,650,447
12/31/20	\$1,601,874

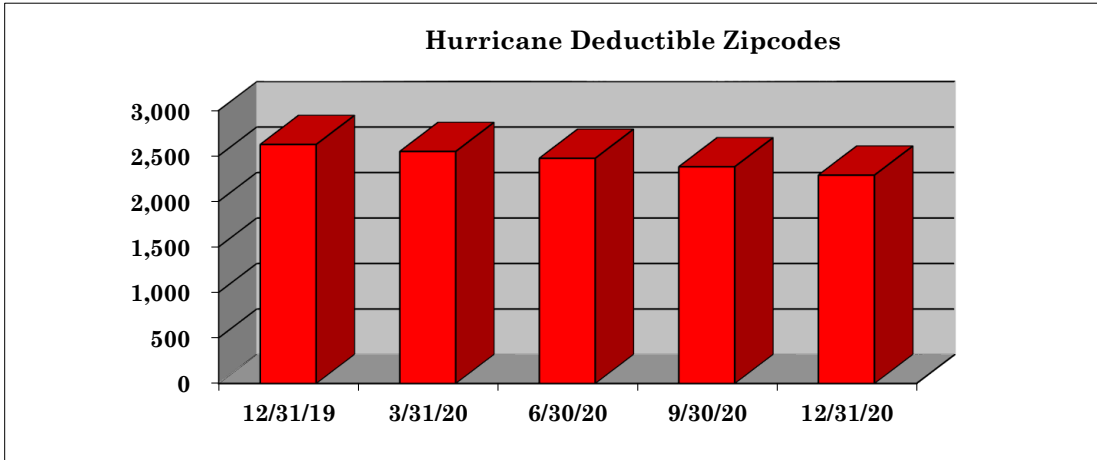


Period Ending	
12/31/16	\$9,942,031
12/31/17	9,178,533
12/31/18	8,201,625
12/31/19	7,335,752
12/31/20	\$6,629,478

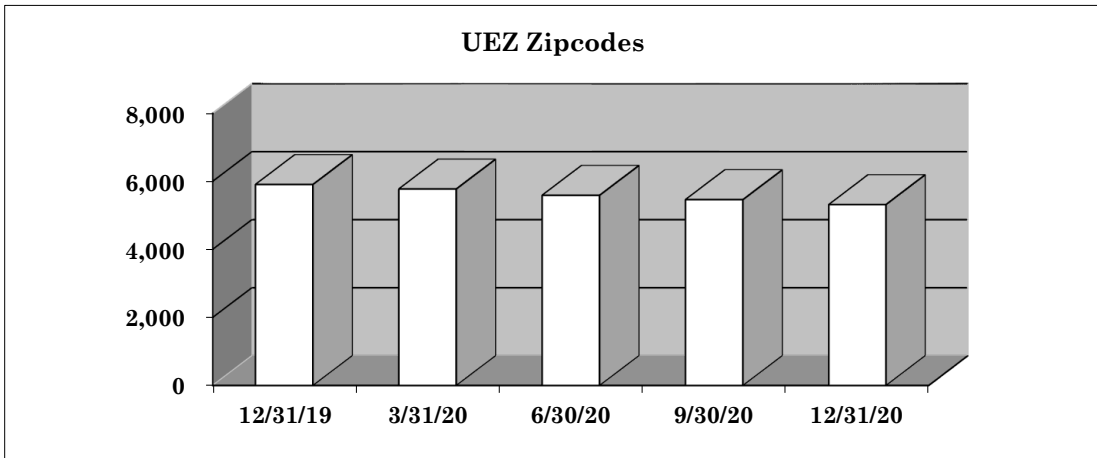
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

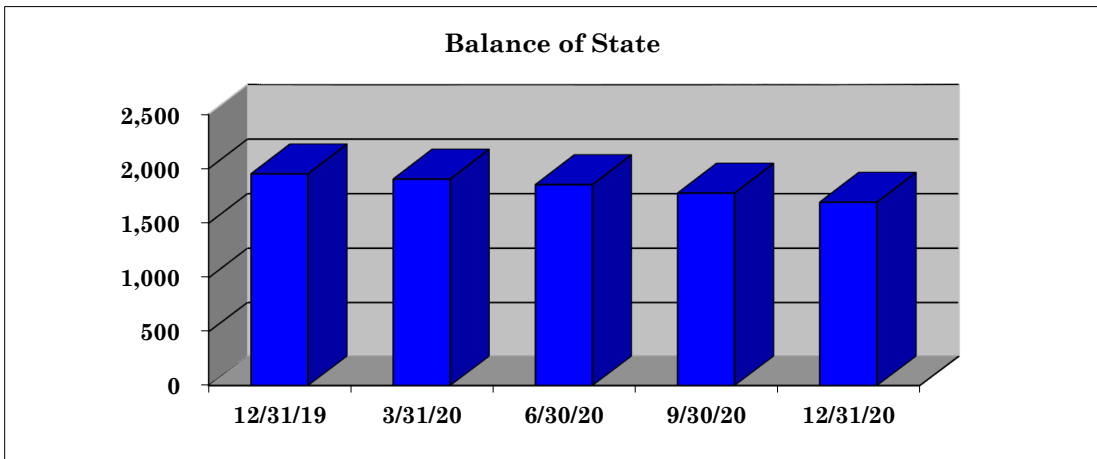
Last Five Quarters



Quarter Ending	
12/31/19	2,627
3/31/20	2,550
6/30/20	2,475
9/30/20	2,382
12/31/20	2,290



Quarter Ending	
12/31/19	5,907
3/31/20	5,775
6/30/20	5,590
9/30/20	5,462
12/31/20	5,317



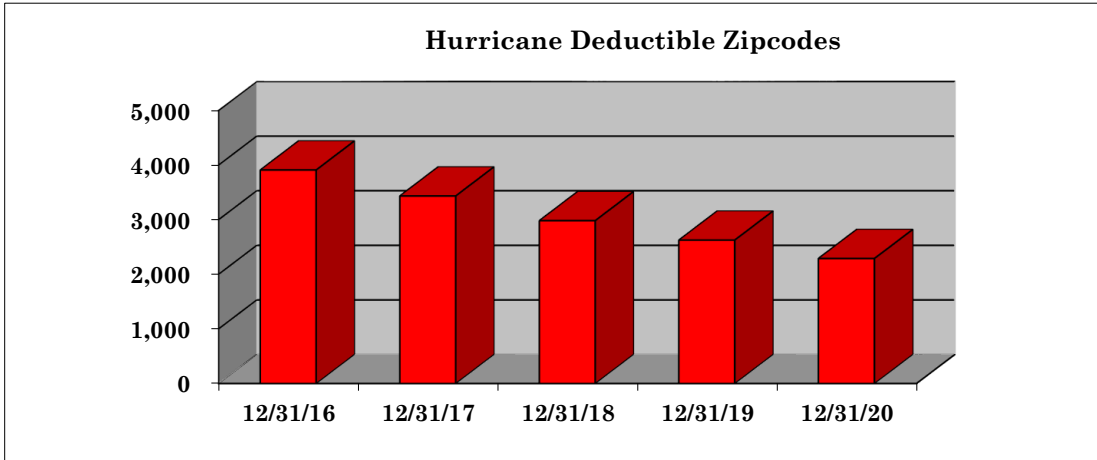
Quarter Ending	
12/31/19	1,954
3/31/20	1,906
6/30/20	1,855
9/30/20	1,777
12/31/20	1,694

Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

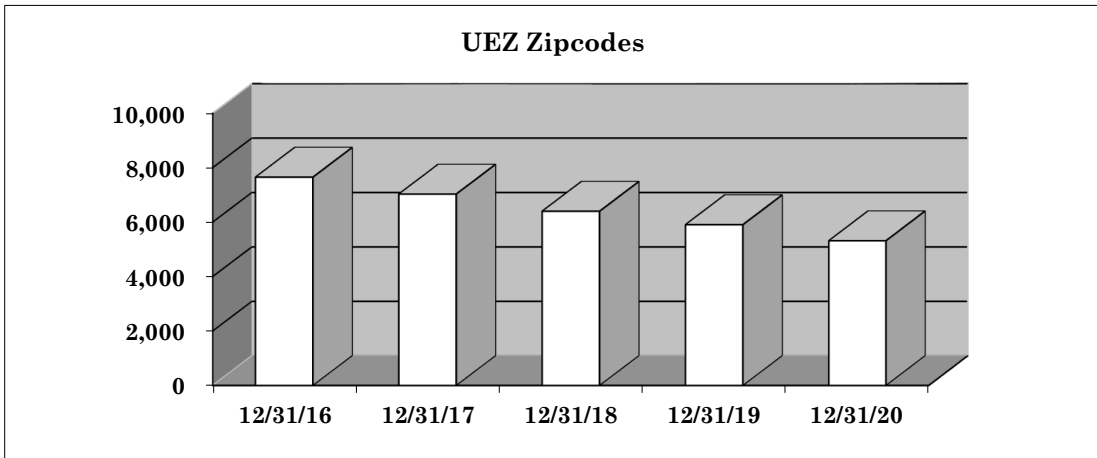
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

In-Force Policies by Territory - All Lines

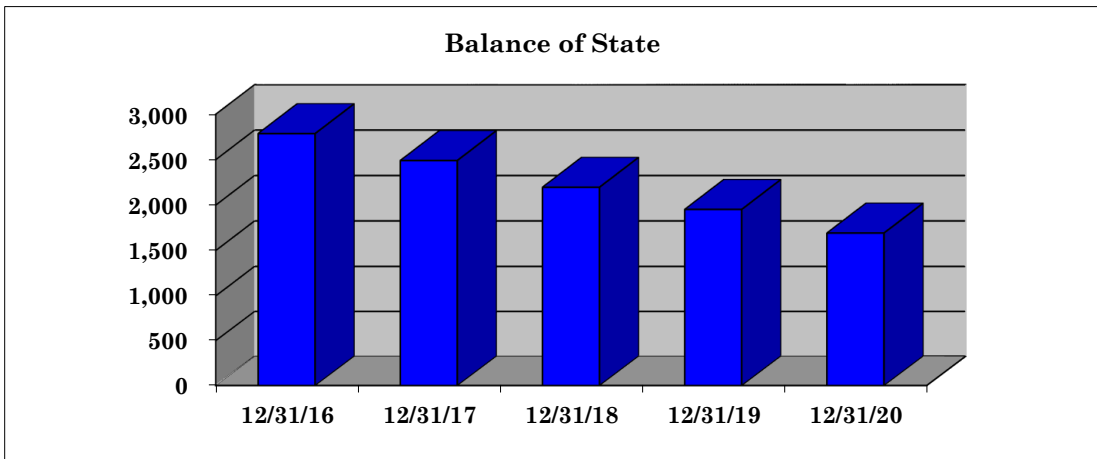
Last Five Years



Period Ending	
12/31/16	3,911
12/31/17	3,435
12/31/18	2,983
12/31/19	2,627
12/31/20	2,290



Period Ending	
12/31/16	7,653
12/31/17	7,031
12/31/18	6,401
12/31/19	5,907
12/31/20	5,317

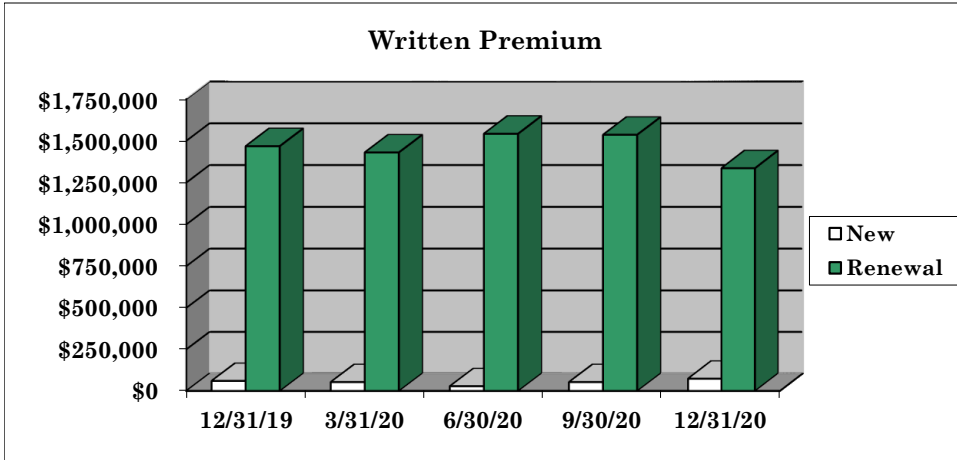


Period Ending	
12/31/16	2,788
12/31/17	2,492
12/31/18	2,198
12/31/19	1,954
12/31/20	1,694

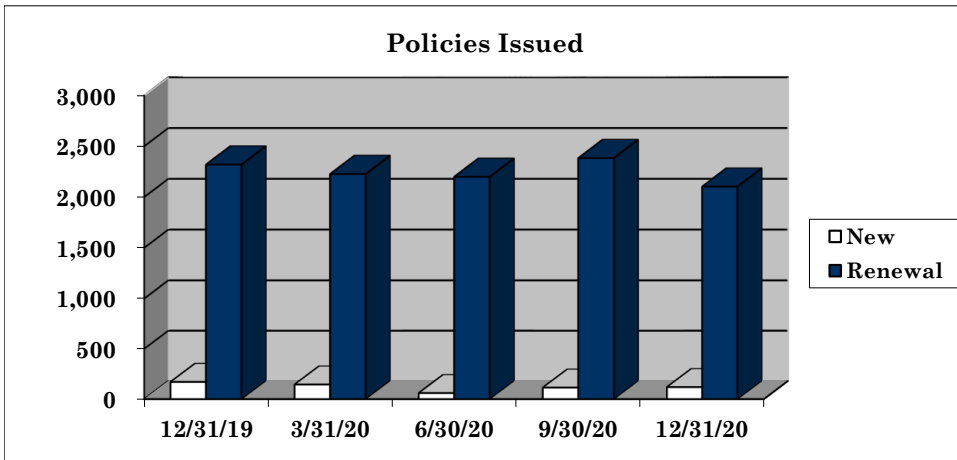
Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

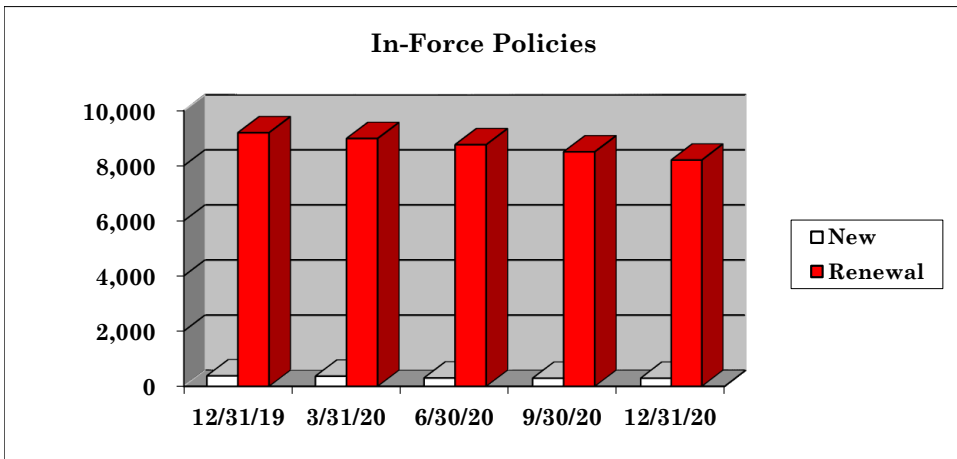
Dwelling Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	\$60,259	\$1,468,668
3/31/20	53,220	1,431,030
6/30/20	28,180	1,542,902
9/30/20	53,056	1,536,711
12/31/20	\$73,653	\$1,336,646



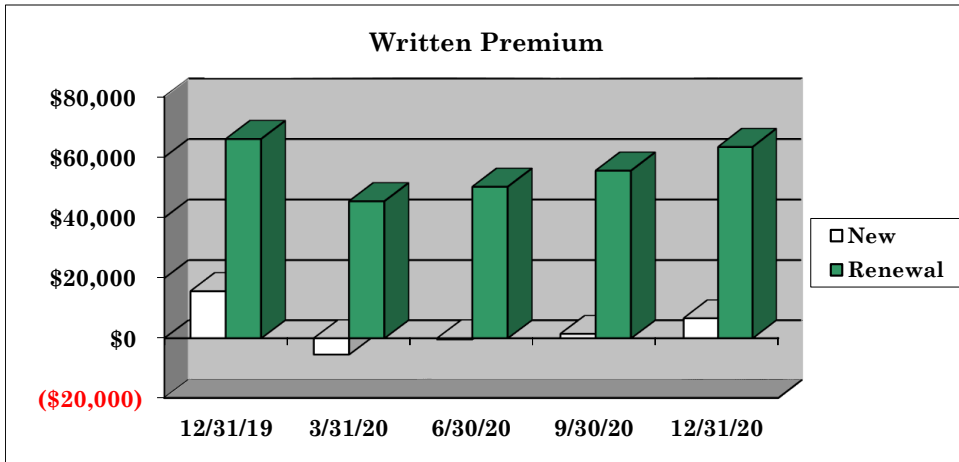
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	171	2,321
3/31/20	145	2,228
6/30/20	60	2,201
9/30/20	114	2,385
12/31/20	119	2,104



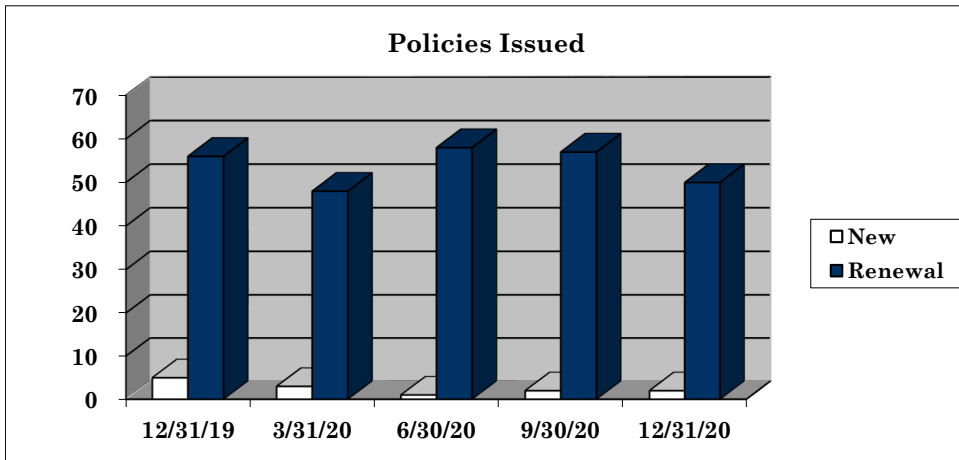
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	380	9,203
3/31/20	367	8,992
6/30/20	303	8,768
9/30/20	293	8,508
12/31/20	293	8,209

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

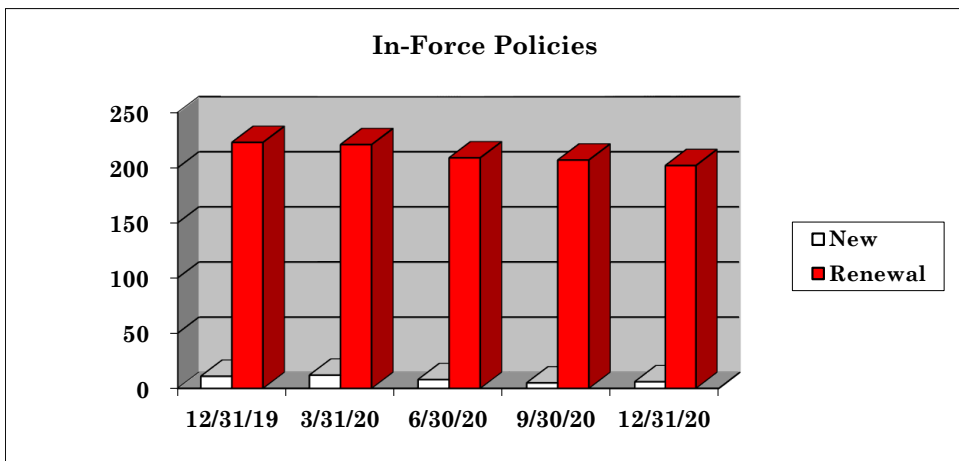
Commercial Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	\$15,744	\$66,038
3/31/20	(5,447)	45,471
6/30/20	(360)	50,266
9/30/20	1,465	55,588
12/31/20	\$6,693	\$63,413



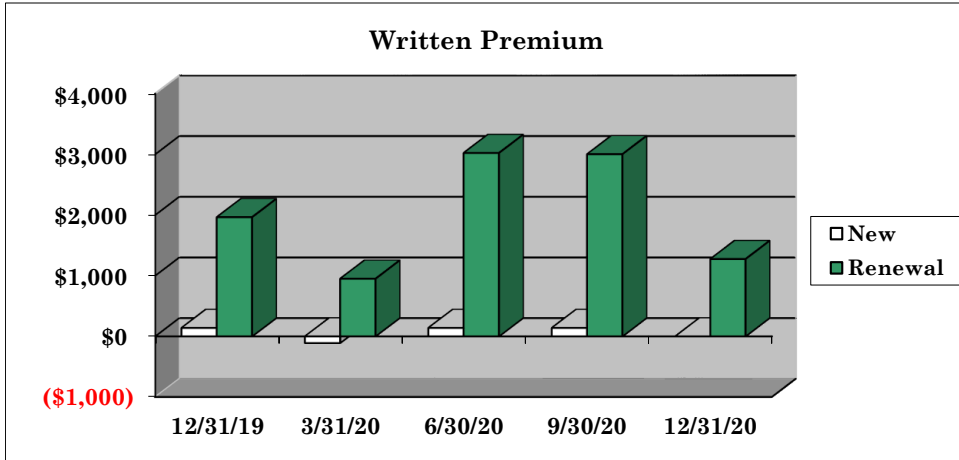
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	5	56
3/31/20	3	48
6/30/20	1	58
9/30/20	2	57
12/31/20	2	50



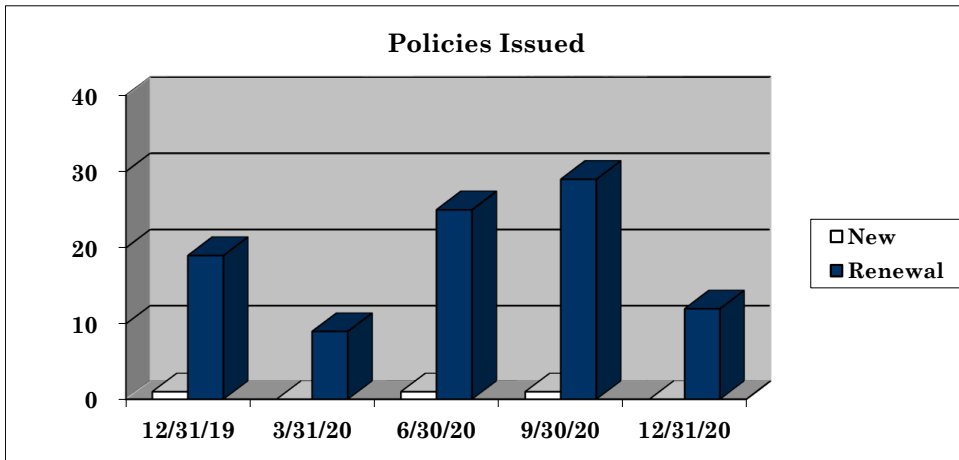
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/19	11	223
3/31/20	12	221
6/30/20	8	209
9/30/20	5	207
12/31/20	6	202

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

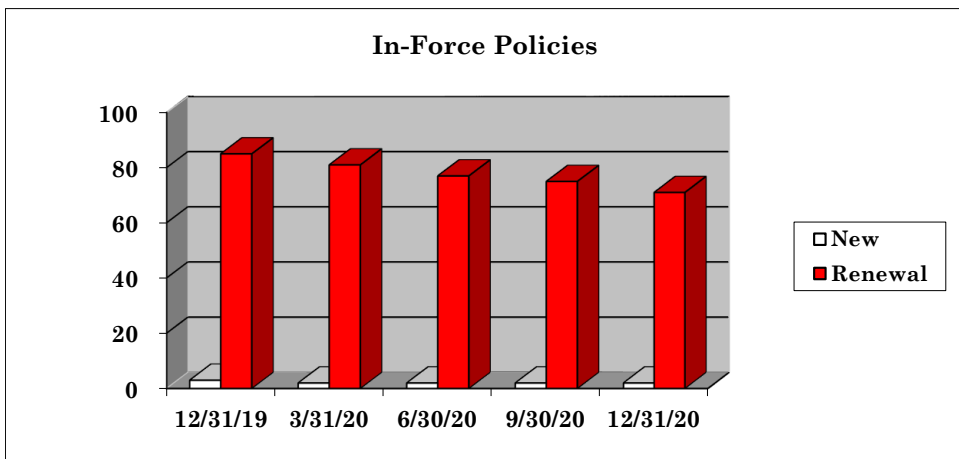
Crime Business



	Quarter Ending	
	New	Renewal
12/31/19	\$140	\$1,966
3/31/20	(109)	952
6/30/20	140	3,024
9/30/20	140	3,004
12/31/20	\$0	\$1,276



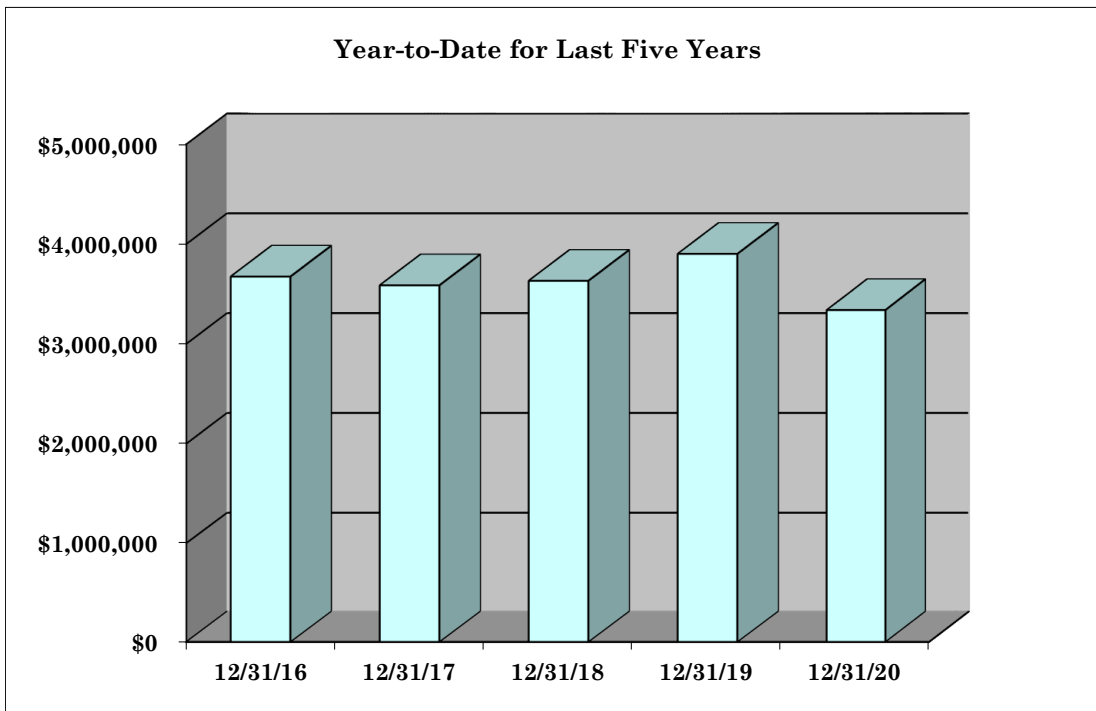
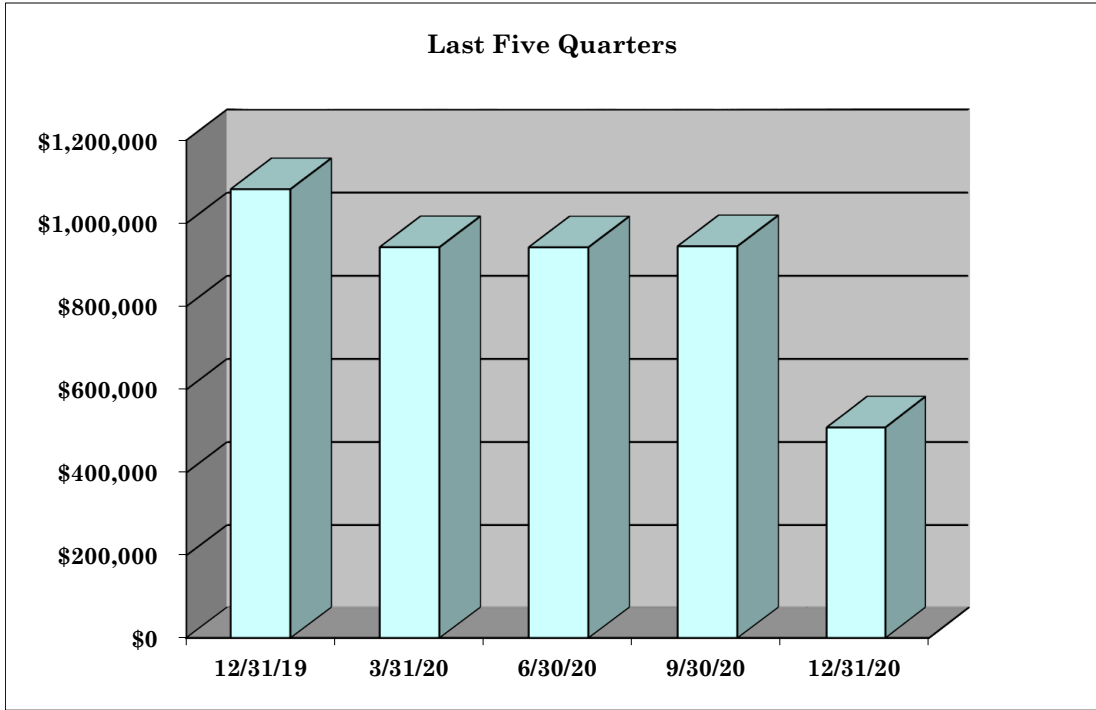
	Quarter Ending	
	New	Renewal
12/31/19	1	19
3/31/20	0	9
6/30/20	1	25
9/30/20	1	29
12/31/20	0	12



	Quarter Ending	
	New	Renewal
12/31/19	3	85
3/31/20	2	81
6/30/20	2	77
9/30/20	2	75
12/31/20	2	71

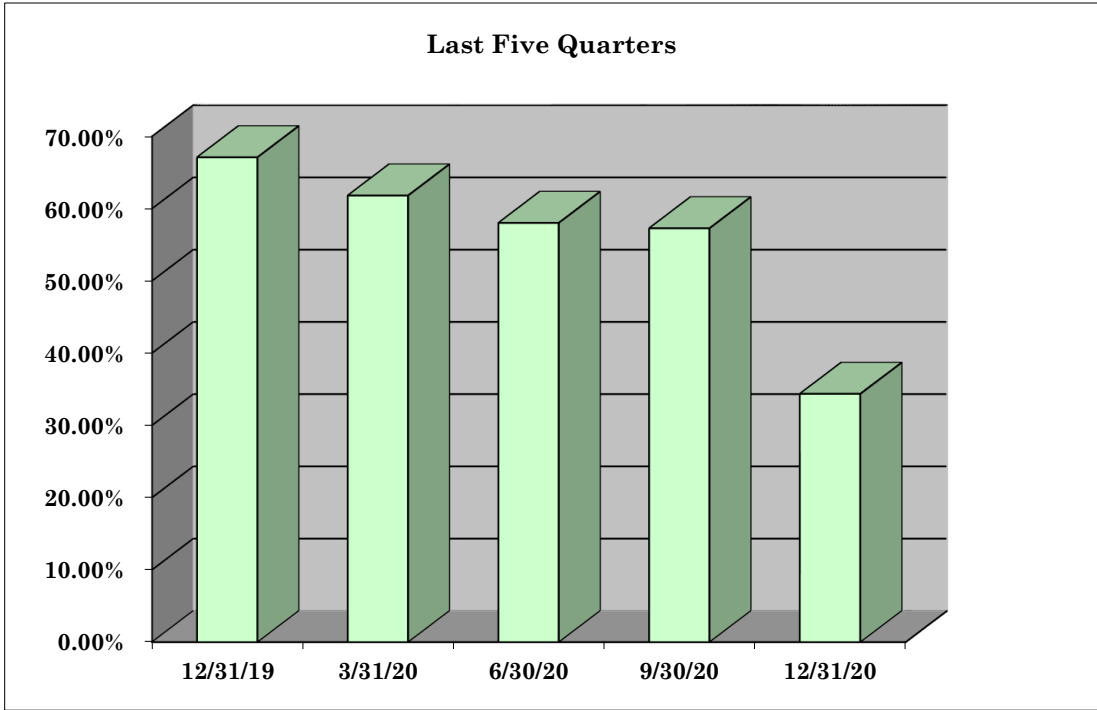
NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Expenses Incurred

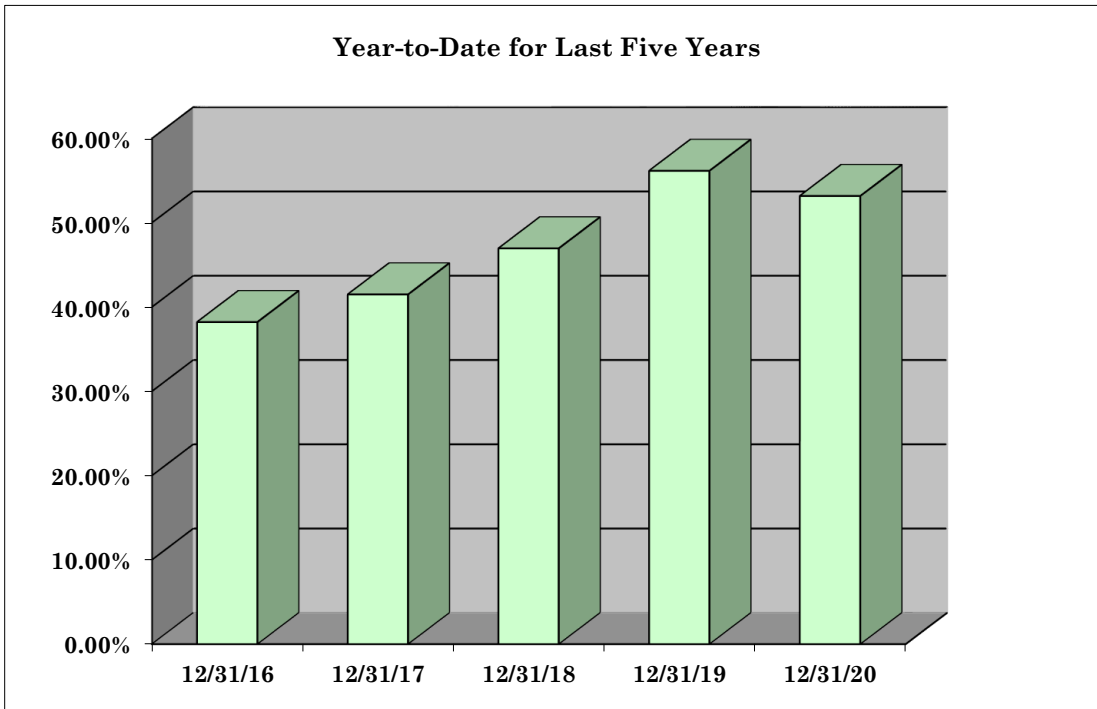


NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Expense Ratio



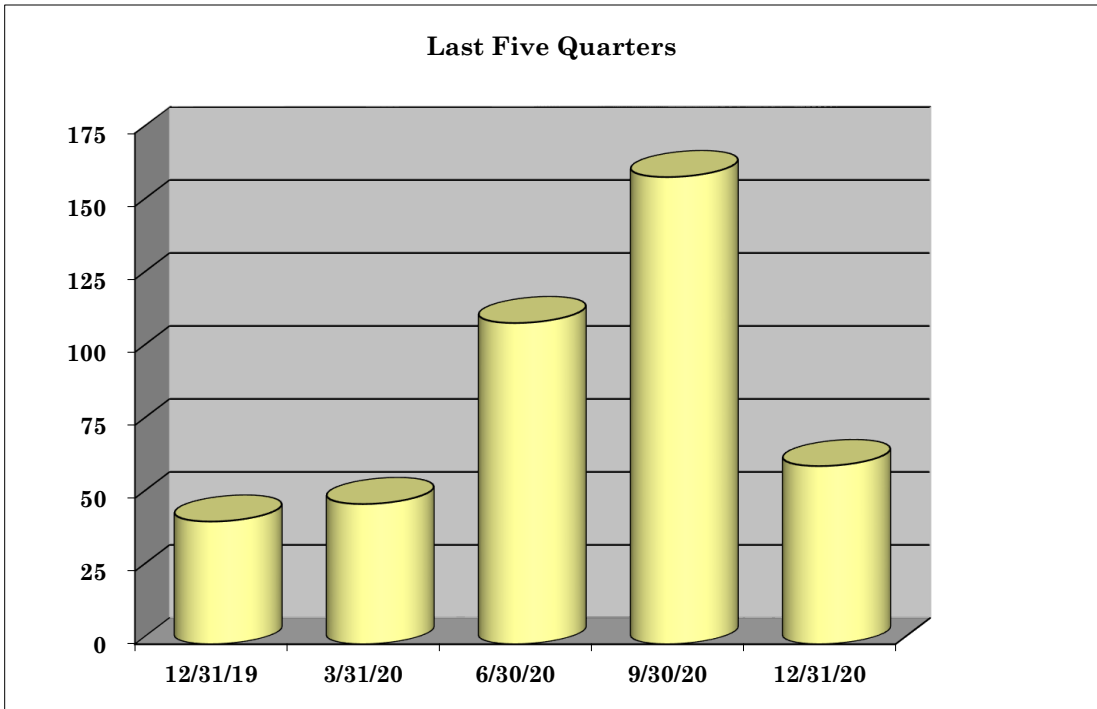
Quarter Ending	
12/31/19	67.11%
3/31/20	61.82%
6/30/20	58.03%
9/30/20	57.28%
12/31/20	34.37%



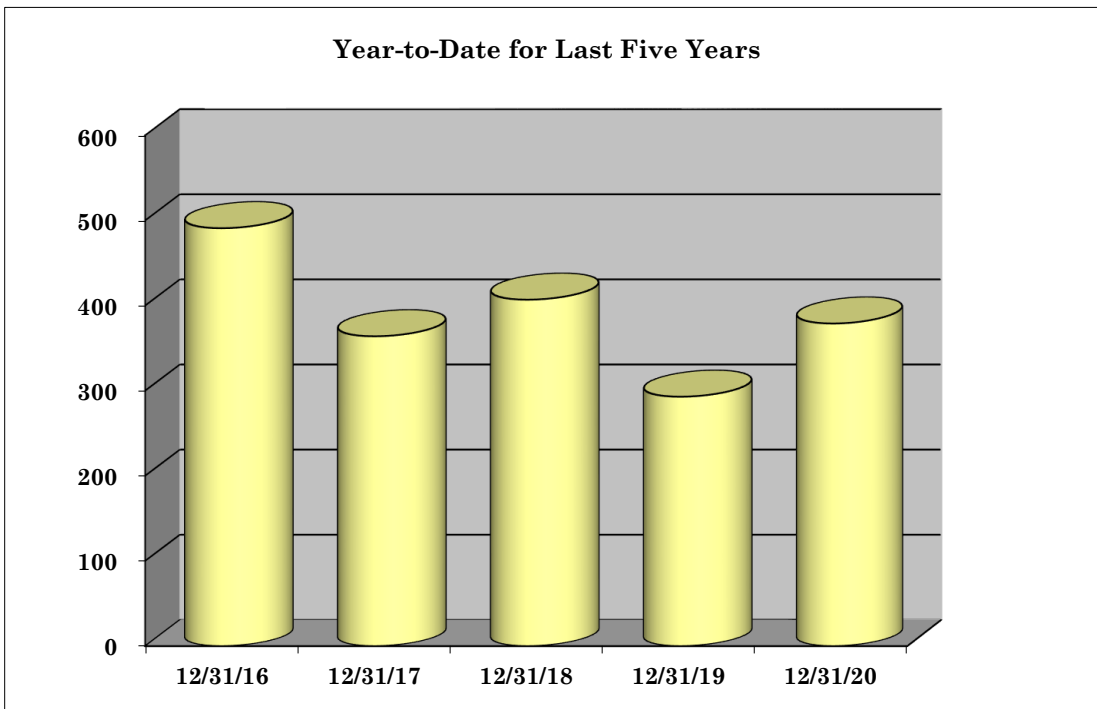
Period Ending	
12/31/16	38.21%
12/31/17	41.49%
12/31/18	46.96%
12/31/19	56.16%
12/31/20	53.17%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of New Claims Reported



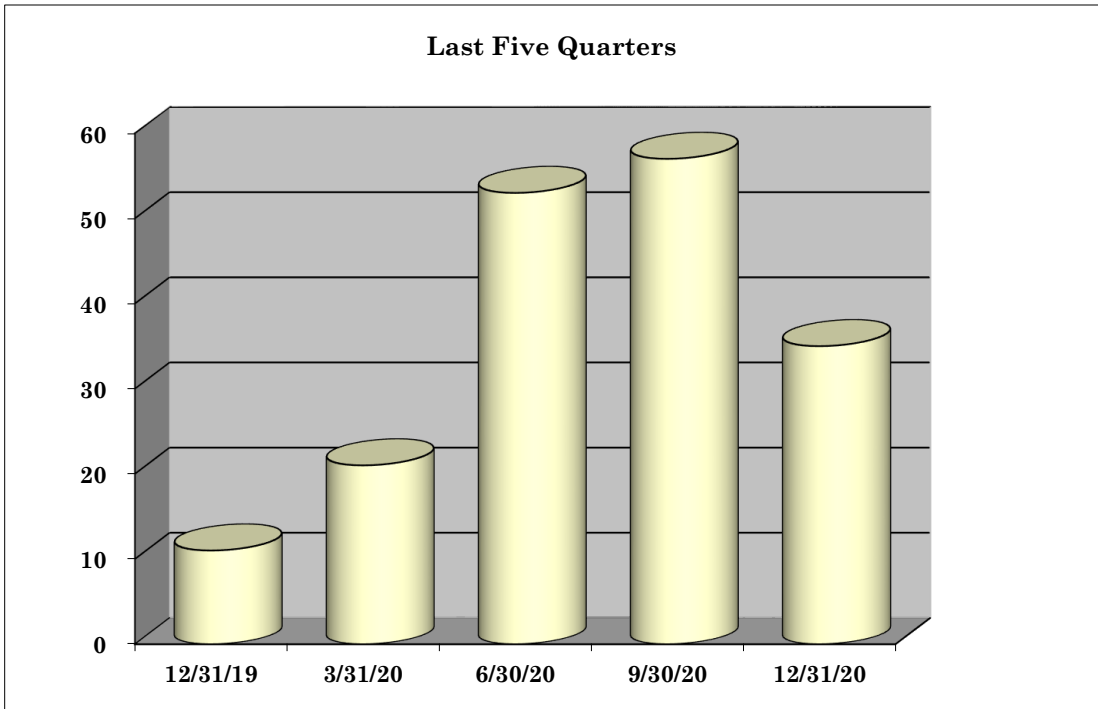
Quarter Ending	
12/31/19	42
3/31/20	48
6/30/20	110
9/30/20	160
12/31/20	61



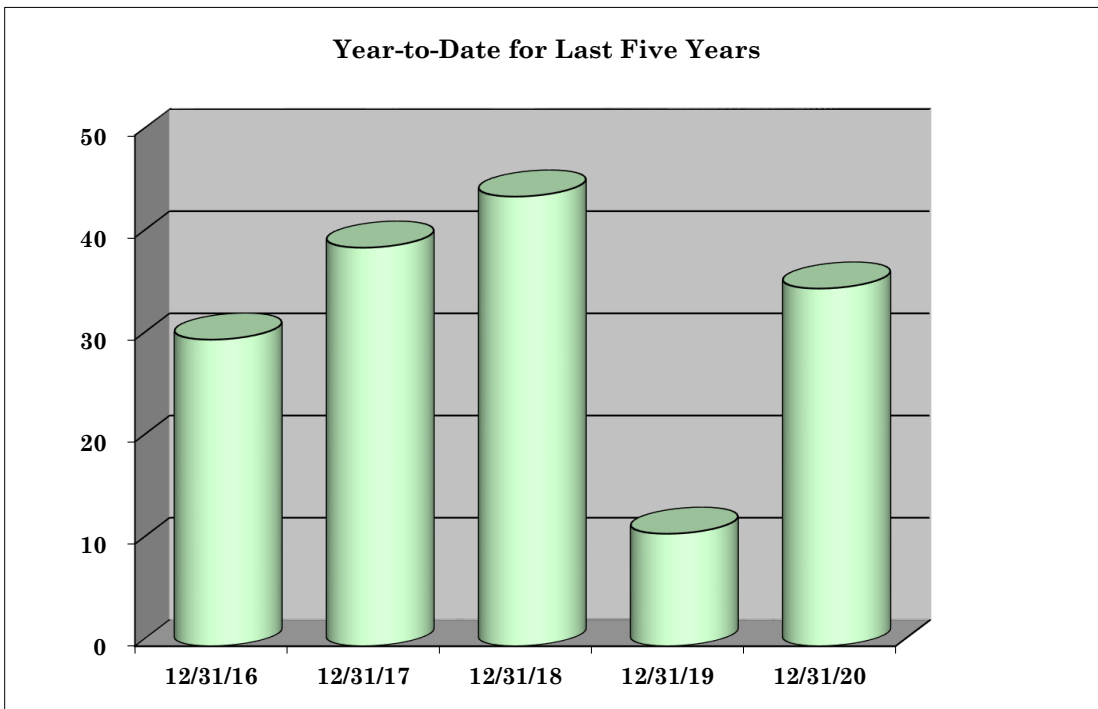
Period Ending	
12/31/16	491
12/31/17	364
12/31/18	407
12/31/19	293
12/31/20	379

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Number of Open Claims



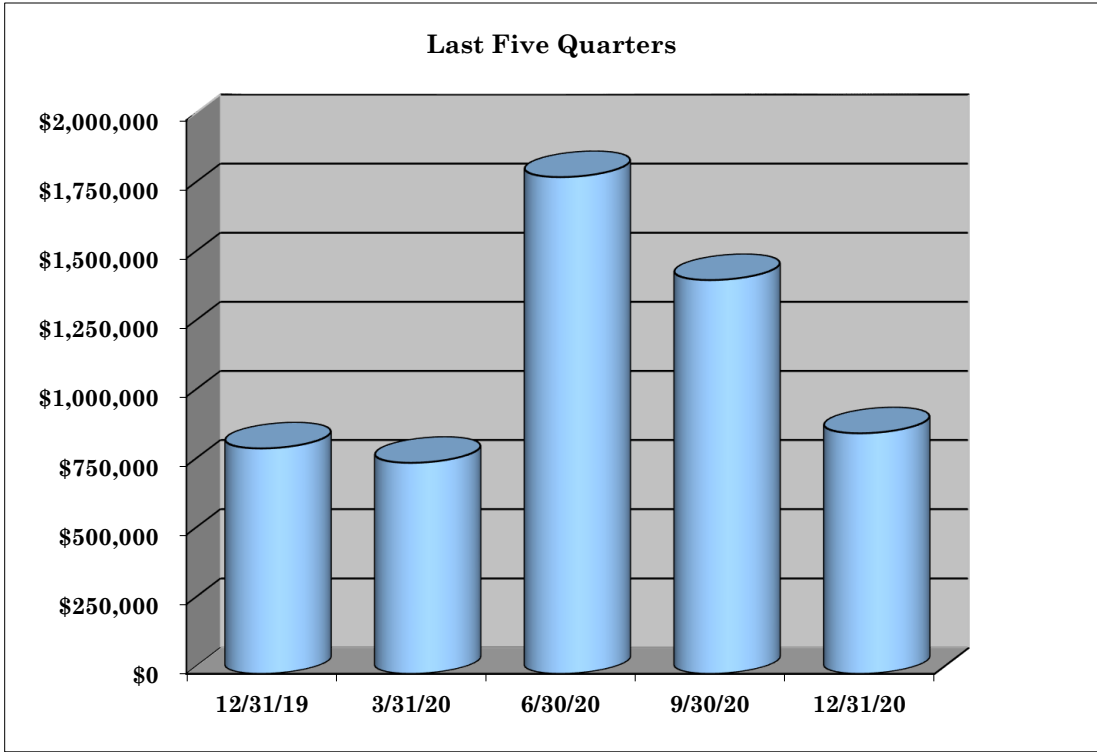
Quarter Ending	
12/31/19	11
3/31/20	21
6/30/20	53
9/30/20	57
12/31/20	35



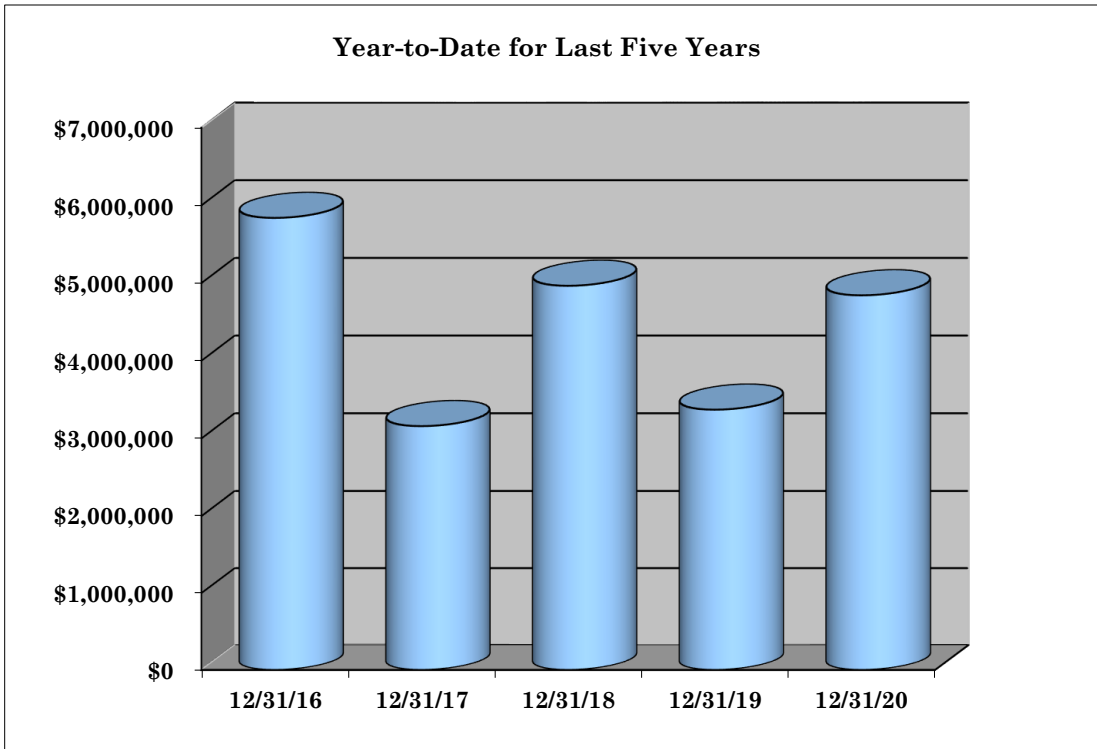
Period Ending	
12/31/16	30
12/31/17	39
12/31/18	44
12/31/19	11
12/31/20	35

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Claims & Claim Expenses Incurred



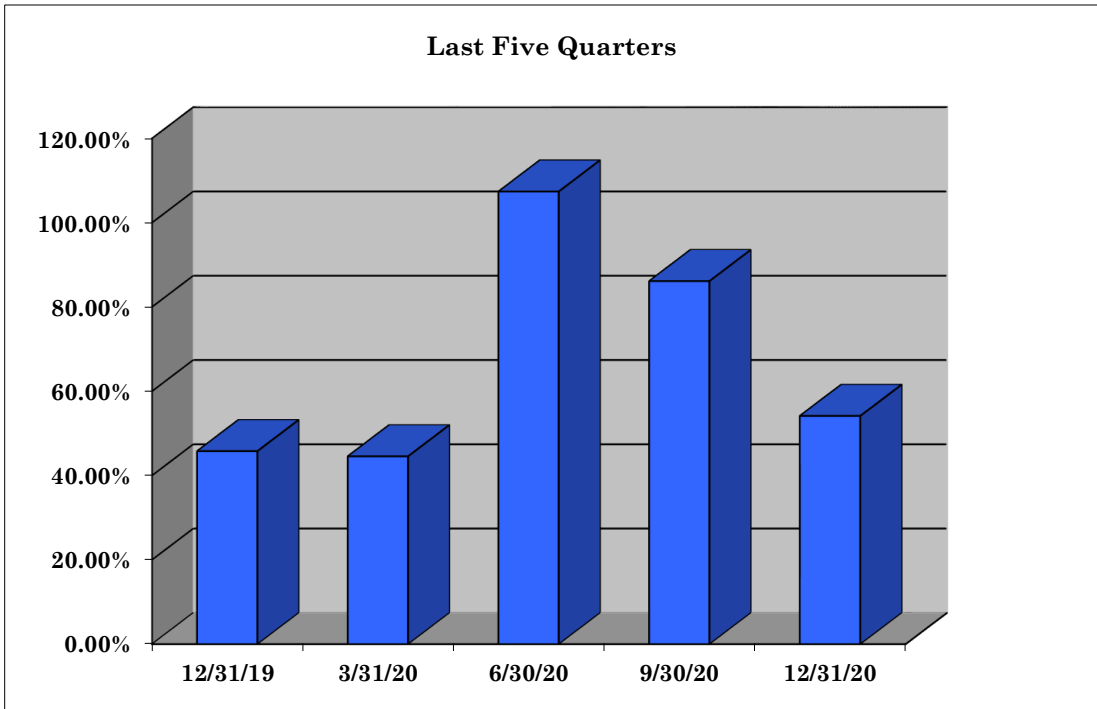
Period Ending	
12/31/19	\$812,719
3/31/20	760,549
6/30/20	1,794,309
9/30/20	1,421,769
12/31/20	\$867,485



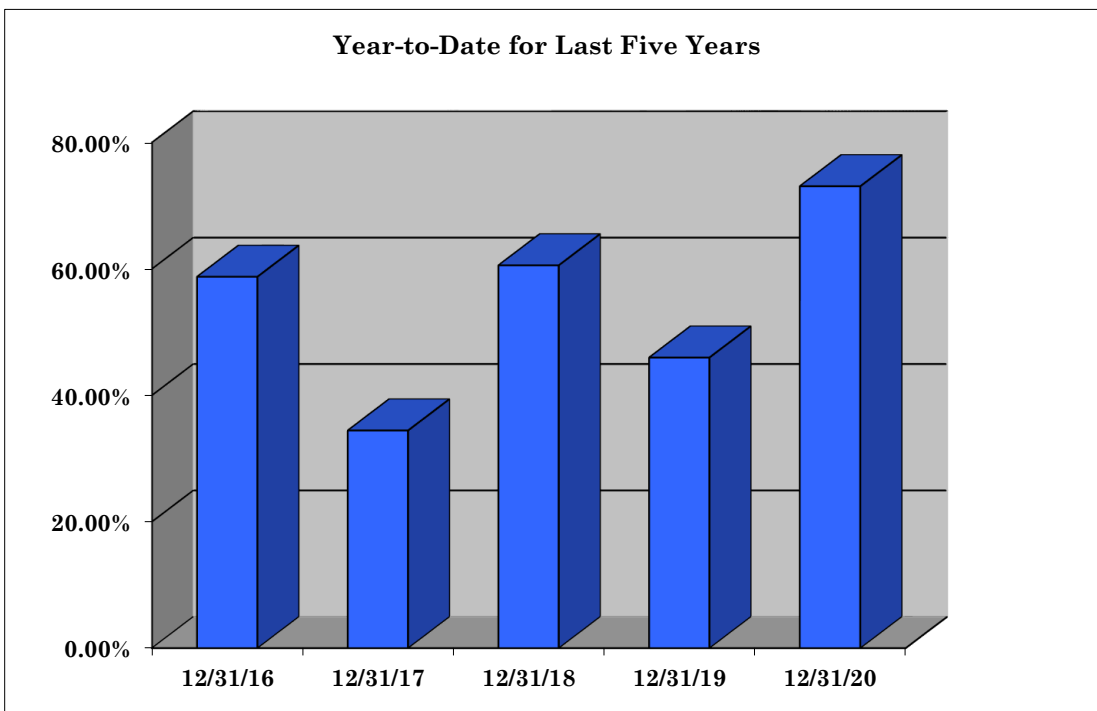
Period Ending	
12/31/16	\$5,840,728
12/31/17	3,160,166
12/31/18	4,966,739
12/31/19	3,372,036
12/31/20	\$4,844,106

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Loss Ratio



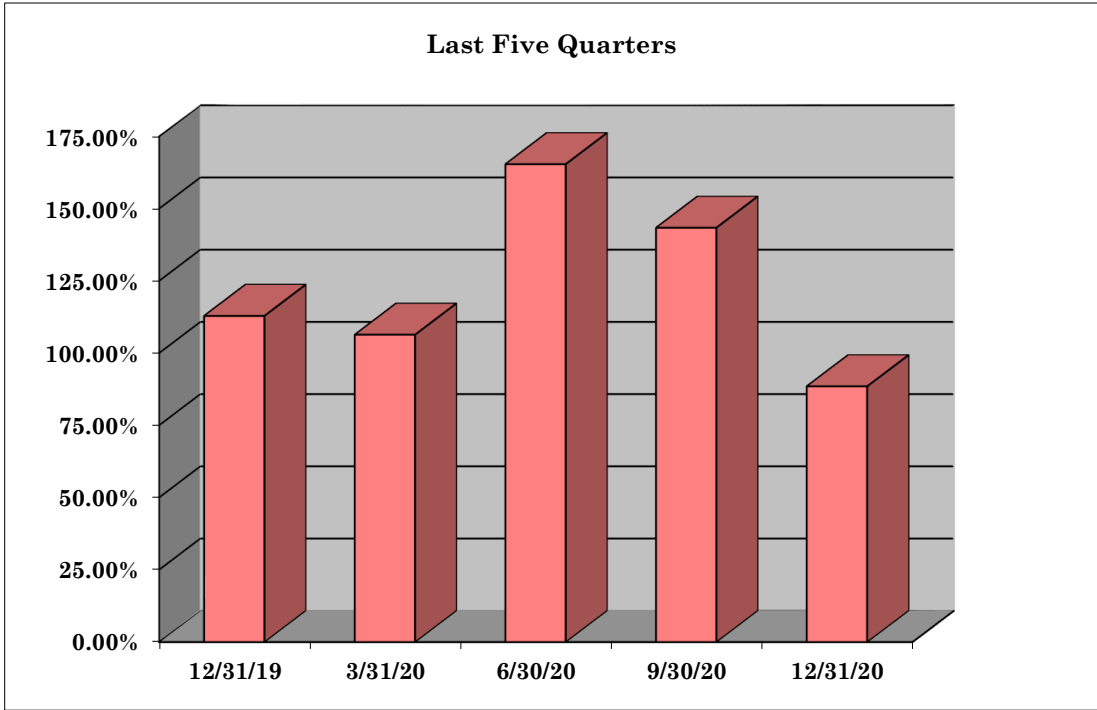
Quarter Ending	
12/31/19	45.79%
3/31/20	44.57%
6/30/20	107.40%
9/30/20	86.14%
12/31/20	54.15%



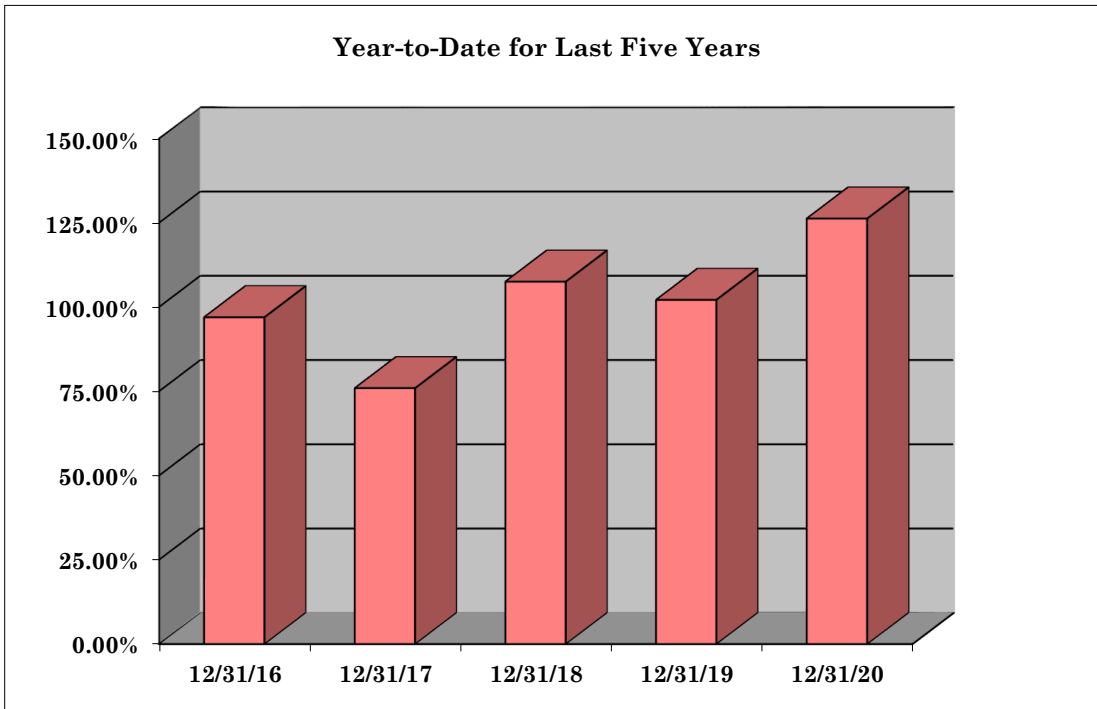
Period Ending	
12/31/16	58.75%
12/31/17	34.43%
12/31/18	60.56%
12/31/19	45.97%
12/31/20	73.07%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Combined Ratio



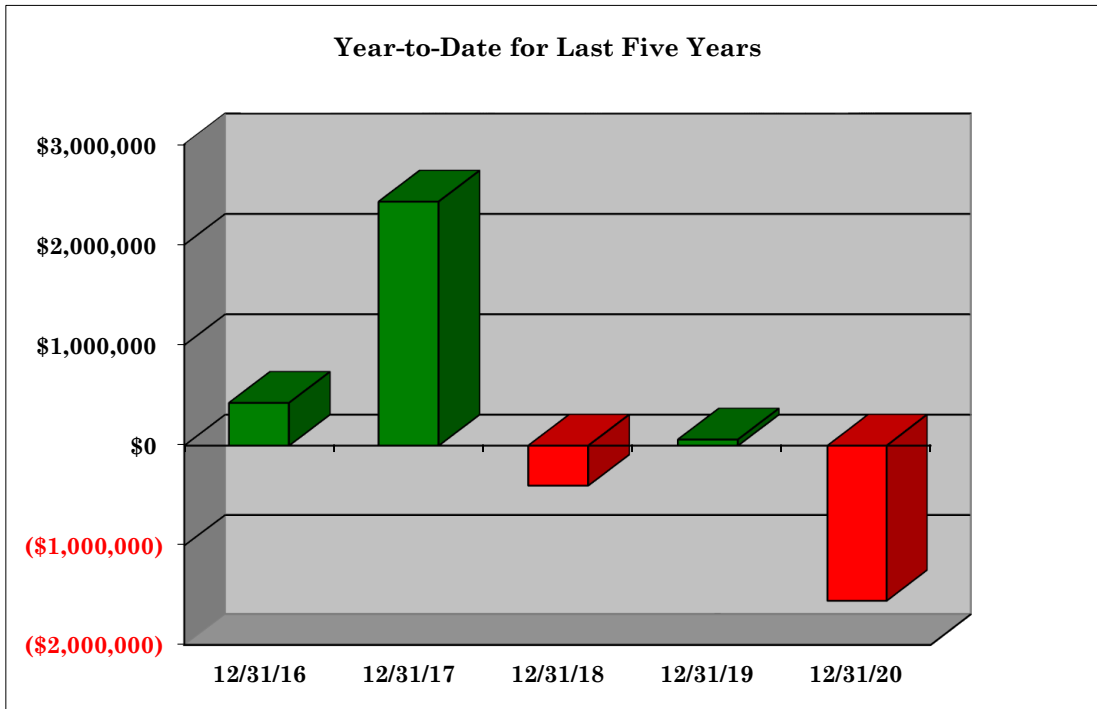
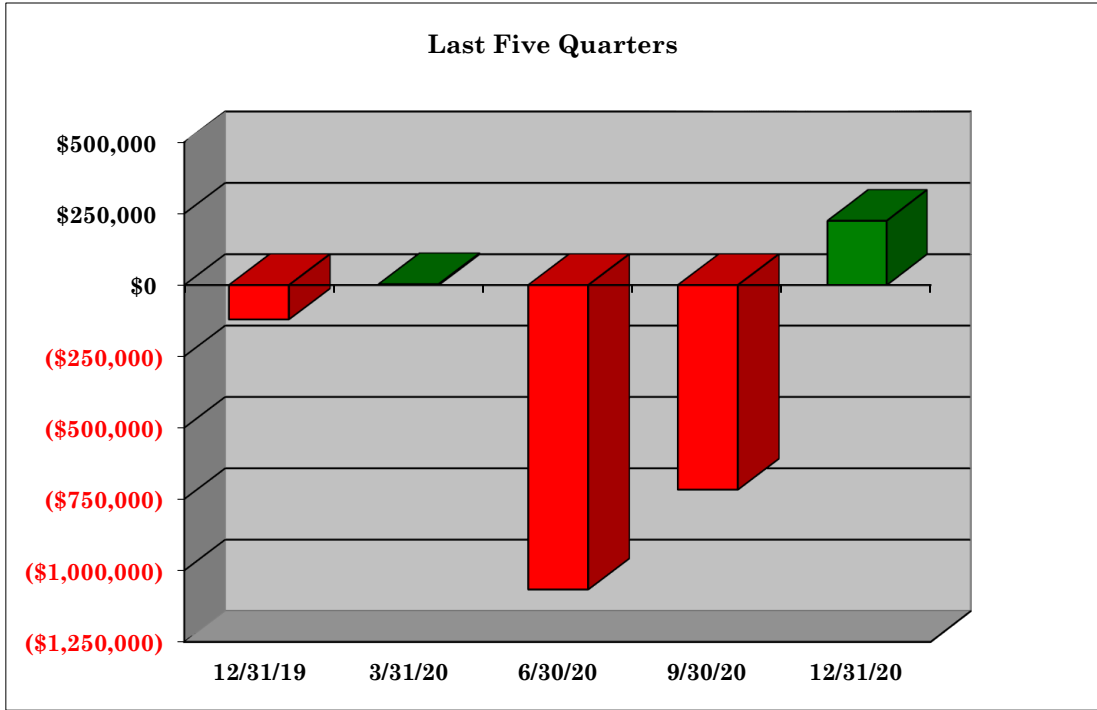
Quarter Ending	
12/31/19	112.90%
3/31/20	106.39%
6/30/20	165.43%
9/30/20	143.42%
12/31/20	88.52%



Period Ending	
12/31/16	96.96%
12/31/17	75.92%
12/31/18	107.52%
12/31/19	102.13%
12/31/20	126.24%

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

Underwriting Gain (Loss)



New Jersey Insurance Underwriting Association

Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New	438	690	748	1,023	1,334
Renewal	8,918	9,894	11,077	12,121	13,237
Total	9,356	10,584	11,825	13,144	14,571
<u>Commercial Business</u>					
New	8	16	23	23	19
Renewal	213	238	269	288	328
Total	221	254	292	311	347
<u>Crime Business</u>					
New	2	3	6	6	6
Renewal	75	90	102	120	137
Total	77	93	108	126	143
<u>All Lines</u>					
New	448	709	777	1,052	1,359
Renewal	9,206	10,222	11,448	12,529	13,702
Total	9,654	10,931	12,225	13,581	15,061

New Jersey Insurance Underwriting Association

Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New	533	762	819	1,107	1,457
Renewal	9,178	10,198	11,331	12,316	13,387
Total	9,712	10,960	12,150	13,423	14,844
<u>Commercial Business</u>					
New	10	17	24	24	24
Renewal	223	248	279	297	330
Total	233	265	303	321	354
<u>Crime Business</u>					
New	2	3	6	6	6
Renewal	81	98	110	124	139
Total	83	101	116	130	145
<u>All Lines</u>					
New	546	782	849	1,137	1,487
Renewal	9,483	10,544	11,720	12,737	13,856
Total	10,028	11,326	12,569	13,874	15,343

New Jersey Insurance Underwriting Association

Claim Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
New Claims Reported	379	293	407	364	491
Large Losses (+ \$100k)	12	7	16	6	16
Catastrophe Losses	101	39	63	1	77
Arson Losses	0	2	2	2	3
Paid Losses	\$3,862,000	\$3,385,000	\$3,888,000	\$2,466,000	\$5,199,000
Case Reserves	\$698,000	\$672,000	\$1,364,000	\$1,015,000	\$1,005,000
Loss Exp. Paid	\$700,000	\$848,000	\$729,000	\$717,000	\$1,033,000
Loss Exp. Reserves	\$323,000	\$283,000	\$344,000	\$311,000	\$323,000
IBNR Reserves	\$556,000	\$340,000	\$448,000	\$481,000	\$503,000

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NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

BOARD OF DIRECTORS 2020

NAME

REPRESENTING

Mr. Brian F. Connors, Chair	National General & New Jersey Skylands Insurance
Mr. Bud Baxter	Allstate New Jersey Insurance Company
Mr. Thomas Hyman	Chubb
Mr. Vince Noggle	Franklin Mutual Insurance Company
Mr. Benjamin Cowles	Hartford Fire Insurance Company
Ms. Carmella Cange	Liberty Mutual Insurance Company
Ms. Joanne Searles	Nationwide Insurance Companies
Ms. Pamela Septer	NJ Manufacturers Insurance Company
Ms. Maria Orecchio	Selective Insurance Company of America
Mr. Richard Landers	State Farm Fire and Casualty Company
Ms. Karolina Cyburt	Travelers of New Jersey
Ms. Arienne Chase	Amica Mutual Insurance Company
Mr. John A. Papa	Public Member
Mr. L. Richard Gore	Public Member
Mr. Mario Giudice	Public Member
Mr. Richard Romano	Public Member
Ms. Jeanette Seabrooks	Public Member
Mr. John B. Wilson	Public Member
Mr. Scott Caughlan	Independent Insurance Agents & Brokers of NJ
Mr. Michael Beckerman	Professional Insurance Agents of New Jersey

OBSERVER

Mr. Mark Nussenfeld	New Jersey Department of Banking and Insurance
Mr. Bill Horner	New Jersey Department of Banking and Insurance

2020 ANNUAL REPORT

NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

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Financial Services – Albert Chin

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