PAIP

TWENTY SIXTH ANNUAL REPORT

REPORT OF OPERATIONS - 10/1/17 THROUGH 9/30/18

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

Prepared By:

Frank J. Pensabene, AIS, API
Vice President Field Operations
September 18, 2018
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NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
TWENTY SIXTH ANNUAL REPORT
10-1-17 TO 9-30-18

OPERATIONS OVERVIEW

The New Jersey Personal Automobile Insurance Plan was made effective October 1, 1992.

The following will summarize the activity that has occurred in the past year of operation.

Assigned Applications

PAIP
In the past year of operation, we received 16,516 private passenger automobile insurance applications. This is a 5.9% increase compared to last year’s total of 15,597. As of December 31, 2017, the PAIP in-force exposures represent 0.22% of the total voluntary market volume. (State mandated cap is 10%) Exhibit 1 displays additional assignment information including exposure counts. We expect assignments for the calendar year 2018 to be approximately 18,000.

SAIP
The Special Automobile Insurance Policy provides low-income individuals with certain Medicaid coverages to purchase this policy for the amount of $360. The Special Policy only provides Emergency PIP not to exceed $250,000; death benefit in the amount of $10,000; and Limitation on Lawsuit Option. This policy complies with the mandatory insurance requirements for the State of New Jersey. This program was effective October 1, 2003. There were 81,237 applications assigned to National Continental during the period October 2017 through September 2018. There are 60,310 In-force Policies as of August 31, 2018.

Low Speed Vehicles (LSV)
Low Speed Vehicle Assignments began on May 1, 2006. As of January 1, 2011, National Continental became the Servicing Carrier for the Low Speed Vehicle Program. From October 2017 through September 2018, there was one Low Speed Vehicle assignment.

Assigned Carriers
52 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September 2018, 6 companies are currently receiving assignments, including the two LAD carriers.

Certified Producers
As of September 2018, there are 1,142 producers certified to transact business with PAIP.

In conjunction with producer recertification, the Plan established a Security Fund to reimburse assigned carriers for lost premiums caused by the willful actions of producers. The fund balance as of August 31, 2018 is $90,801.72 Reimbursement payments to carriers since inception total $26,134.34.

One of the requirements for certification is attendance at a NJPAIP/NJCAIP Combined Producer Procedures Course. The staff had 132 attendees in 8 seminars in the last twelve months.

A Producer Peer Review Panel was appointed by the Commissioner of Banking and Insurance to review the performance
of producers that were not operating in compliance with NJPAIP rules and procedures. They met for the first time on May 17, 1993 and since that time held hearings for 450 producers. Based on recommendations of the Peer Review Panel, the NJPAIP Governing Committee approved the following actions as a result of the hearings:

- Permanent Revocation 58
- Conditional Revocation 7
- One year Revocation 22
- Six Month Revocation 46
- Suspension (30 to 90 days) 83
- Conditioned (Ongoing monitoring) 174
- No Action 25
- Granted Certification 18
- Denied Certification/Recertification 7
- Granted UZAR Certification 1
- Approved continued PAIP Certification 9

Total Decisions 450

Since May 17, 1993, 25 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 25 appeals, one was granted and 24 were upheld.

**Appeals Hearing Activity**

The Plan office received 11 appeals between October 2017 and September 2018. No appeals were referred to the Appeals Subcommittee.

**Department of Banking and Insurance Filings**

From October 2017 through September 2018, 8 filings were made with the Department of Banking and Insurance for NJPAIP. 7 filings have been approved by the Department of Banking and Insurance and one is pending. The effective working relationship established between the Department and the NJPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NJPAIP filings.

**Rate Activity**

There were no rate filings submitted to the Department of Banking and Insurance during the period October 2017 and September 2018.

The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.
# PAIP Processing Operation Report

**OCTOBER 1, 2017 - SEPTEMBER 30, 2018***

<table>
<thead>
<tr>
<th>APPLICATION COUNTS</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSIGNED</td>
<td>16,516</td>
<td></td>
</tr>
<tr>
<td>NON-QUALIFIED</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE</td>
<td>2,593</td>
<td>15.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPOSURE COUNTS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPOSURES/VEHICLES ASSIGNED</td>
<td>17,988</td>
<td></td>
</tr>
<tr>
<td>AVG. # OF VEHICLES PER ASSIGNMENT</td>
<td>1.09</td>
<td></td>
</tr>
</tbody>
</table>

**AVERAGE SERVICE TIME**

2 Days

**# OF CERTIFIED PRODUCERS OF RECORD AS OF SEPTEMBER 2018**

1,142

*The figures for the month of September have been estimated.*
EXHIBIT II

Companies (or Groups of Companies) Eligible to Receive PAIP Assignments
(Excluding LAD Buy-Out Companies)
As of September 2018

Non-exempt companies (or groups of companies) which reported calendar year 2016 PPNF
New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in
calendar year 2018:

American Bankers Insurance Company of Florida*
Government Employees Insurance Co. ***
Integon National Insurance Company **
New Jersey Manufacturers Group
Rider Insurance Company*
State Farm Indemnity Company
21st Century Centennial Insurance Company **
Twin Lights Insurance Company

* Company is a specialty writer.
** LAD Servicing Company
*** Company reported 2016 PPNF NJ voluntary liability data but has no quota due to excess credits
EXHIBIT III

BUY-OUT COMPANIES (As of September, 2018)

Ace American Insurance Co.
Aegis Security Insurance Co.
AIG Property & Casualty Co.
Allstate New Jersey Ins Co.
American Commerce Insurance Co.
American Modern Home Insurance Co.
Amica Property & Casualty Insurance Co.
California Casualty & Fire Insurance Co.
Cincinnati Ins Co.
CSAA Mid-Atlantic Insurance Co. of NJ
Cure
Diamond State Insurance Co.
Drive Insurance Co.
Electric Insurance Co.
Encompass Ins Co. of NJ
Essentia Insurance Co.
Esurance Insurance Co.
Farm Family Casualty Insurance Co.
Firemans Fund Insurance Co.
Fitchburg Mutual Insurance Co.
Founders Insurance Co.
Hanover Insurance Co.
IDS Property & Casualty Insurance Co.
Ironshore Indemnity Inc.
Liberty Mutual Insurance Co.
Markel Insurance Co.
Mercury Indemnity Co. of America
Metromile Ins Co.
Metropolitan Property & Casualty Insurance Co.
National Interstate Insurance Co. of HI, Inc.
Nationwide General Ins Co.
Nationwide Mutual Insurance Co.
New Jersey Skylands Insurance Assoc.
Pacific Specialty Insurance Co.
Personal Service Insurance Co.
Philadelphia Indemnity Insurance Co.
Privilege Underwriters Recip. Exchange
RLI Insurance Co.
Selective Auto Insurance Co. of NJ
Sentry Ins – A Mut Co
Travelers Indemnity Co.
Twin City Fire Insurance Co.
US Liability Insurance Co.
USAA Casualty Insurance Co.
### NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

**Balance Sheet**  
**December 31, 2017**

**ASSETS**

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$182,536</td>
</tr>
<tr>
<td>Accounts receivable - assessment</td>
<td>$7,022</td>
</tr>
<tr>
<td>Accounts receivable - CAIP</td>
<td>$27,674</td>
</tr>
<tr>
<td>Accounts receivable - other</td>
<td>$3,807</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$15,405</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>236,444</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LONG-TERM ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment, net</td>
<td>$5,766</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$242,210</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES AND MEMBERS’ SURPLUS (DEFICIT)**

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable - AIPSO</td>
<td>$26,897</td>
</tr>
<tr>
<td>Accounts payable - other</td>
<td>$15,042</td>
</tr>
<tr>
<td>Due to AIPSO - deferred rent obligation</td>
<td>$16,097</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>58,036</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LONG-TERM LIABILITIES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to AIPSO - deferred rent obligation, less current portion</td>
<td>$38,307</td>
</tr>
<tr>
<td>Security fund reserve</td>
<td>$90,292</td>
</tr>
<tr>
<td>Due to AIPSO - pension</td>
<td>$421,501</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td><strong>550,100</strong></td>
</tr>
</tbody>
</table>

**Total liabilities**                                | $608,136 |

**Commitments and contingencies**

<table>
<thead>
<tr>
<th>Members’ surplus (deficit)</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$(365,926)</td>
</tr>
</tbody>
</table>

**Total liabilities and members’ surplus (deficit)** | **$242,210** |
# NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

## Statement of Operations and Changes in Members’ Deficit

Year ended December 31, 2017

<table>
<thead>
<tr>
<th>INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>$876,488</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>1,051</td>
</tr>
<tr>
<td>Producer seminars</td>
<td>6,650</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td><strong>884,189</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES (paid directly or reimbursed to AIPSO)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Producer seminars</td>
<td>258</td>
</tr>
<tr>
<td>Salaries</td>
<td>254,844</td>
</tr>
<tr>
<td>Employee relations and welfare</td>
<td>126,956</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,386</td>
</tr>
<tr>
<td>Travel</td>
<td>16,350</td>
</tr>
<tr>
<td>Rent and rental equipment</td>
<td>103,458</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>3,918</td>
</tr>
<tr>
<td>Postage</td>
<td>49,061</td>
</tr>
<tr>
<td>Telephone</td>
<td>6,655</td>
</tr>
<tr>
<td>Legal</td>
<td>463</td>
</tr>
<tr>
<td>Taxes, licenses, and fees</td>
<td>19,519</td>
</tr>
<tr>
<td>Bad debt</td>
<td>800</td>
</tr>
<tr>
<td>Central processor</td>
<td>158,490</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>4,756</td>
</tr>
<tr>
<td>Shared resources</td>
<td>24,235</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,256</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>778,405</strong></td>
</tr>
</tbody>
</table>

Income over expenses before reapportionment of prior year’s excess  

Reapportionment of prior year’s excess (92,532)

Income over expenses  

Plan’s share of the increase in AIPSO pension benefit obligation other than net periodic cost (42,886)

Members’ deficit, beginning of year (336,292)

Members’ deficit, end of year $ (365,926)
EXHIBIT V

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
GOVERNING COMMITTEE AS OF SEPTEMBER 30, 2018

AMERICAN INSURANCE ASSOCIATION

Vacant
The Travelers Companies, Inc.

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA

GEICO
New Jersey Manufacturers Insurance Co.

NON-AFFILIATED INSURANCE COMPANIES

Allstate New Jersey Insurance Company
State Farm Indemnity Company

AT-LARGE REPRESENTATIVES

National Continental Insurance Co.
Plymouth Rock Assurance

PRODUCER REPRESENTATIVES

Independent Insurance Agents of NJ
Professional Insurance Agents of NJ

LAD CARRIER REPRESENTATIVE

21st Century Centennial Insurance Co.

PUBLIC MEMBER

DEPARTMENT OF BANKING AND INSURANCE