December 26, 2006

Thomas Musick
Office of Legislative Services
PO Box 068
Trenton, New Jersey 08625

Dear Mr. Musick:

On behalf of my client, the New Jersey Personal Automobile Insurance Plan, please accept the enclosed *Fourteenth Annual Report of Operations*.

Please feel free to contact me should you have any questions.

Sincerely,

Paul Anzano

PA:elp
Enclosures
NEW JERSEY
PERSONAL
AUTOMOBILE
INSURANCE
PLAN

December 21, 2006

Thomas Musick
Office of Legislative Services
Trenton, New Jersey 08625

Dear Mr. Musick:

Pursuant to N.J.S.A. 17:29D-1 et seq., enclosed is the Fourteenth Annual Report of Operations of the New Jersey Personal Automobile Insurance Plan (NJPAIP) from October 1, 2005 through September 30, 2006. In accordance with prior instruction, this Annual Report was forwarded to the Department of Banking and Insurance on September 28, 2006.

In addition to the Annual Report of Operations and pursuant to N.J.S.A. 17:29D-1, NJPAIP is providing information regarding recent rate activity. One rate filing was made from October 1, 2005 to September 30, 2006. The filing was effective May 1, 2006, and amended the rates for all NJPAIP risks for an overall decrease of 8%. The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.

Sincerely,

[Signature]
Frank J. Pensabene, AIS, API
Director and Resident Manager

cc: Steven M. Goldman, Commissioner of the NJ Department of Banking and Insurance
    NJPAIP Governing Committee
    Lawrence Iacoi, AIPSO
    Charles Kwolek, AIPSO
FOURTEENTH ANNUAL REPORT

REPORT OF OPERATIONS - 10/1/05 THROUGH 9/30/06

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2005

Prepared By:

Frank J. Pensabene, AIS, API
Director and Resident Manager
September 28, 2006
NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FOURTEENTH ANNUAL REPORT
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NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FOURTEENTH ANNUAL REPORT
10-1-05 TO 9-30-06

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

NJPAIP

In the past year of operation, 58,392 private passenger automobile insurance applications were assigned (compared to 96,261 in the previous 12-month period), representing a decrease of 39.3%. As of December 31, 2005, the PAIP in-force exposures represent 2.1% of the total voluntary market volume. This compares to the 10% of all in-force exposures of the state mandated cap. (Exhibit 1 displays additional assignment information including exposure counts.) We expect assignments for the calendar year 2006 to be approximately 60,000 with the anticipation that 2007 assignments will be approximately 70,000.

UZAR

There were 7,739 UZAR assignments made by the Plan during the period of March 7, 2005 (Date UZAR reopened) to July 21, 2006 (Date UZAR Closed).

NJSAIP

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 22,604 SAIP applications assigned to Clarendon National Insurance Company during the period October 1, 2005 to September 30, 2006.

Voluntary Rating Tier (VRT)

The Voluntary Rating Tier was established for applicants who have a Notice of Declination pursuant to N.J.S.A. 17:33B-15. This program was effective on June 1, 2004. From October 1, 2005 to September 30, 2006, the NJAIP assigned 3,672 VRT applications to carriers.

Staffing

Our budgeted staff for 2006 is 28 for CAIP, PAIP, SAIP and UZAR, down from 33 in 2005. The Plan currently has 21 employees. We have budgeted for 24 employees for 2007 should the need arise. We expect to end the year with 21 employees.

Budget

The 2005 year end expenses were $1,652,087, 18.3% below budgeted expenses of $2,021,752. The under budget condition was attributable to year-end staff vacancies and lower than anticipated volume.

Our proposed 2007 combined budget for PAIP, SAIP and UZAR is $1,699,383. This figure represents a 5.6% decrease from the original 2006 combined budget of $1,801,482 and a 0.74% increase from the combined reprojected budget of $1,687,381.
<table>
<thead>
<tr>
<th></th>
<th>PAIP</th>
<th>SAIP</th>
<th>UZAR</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Original Budget</td>
<td>$1,615,115</td>
<td>$126,820</td>
<td>$59,547</td>
<td>$1,801,482</td>
</tr>
<tr>
<td>2006 Reprojected Budget</td>
<td>$1,514,132</td>
<td>$124,395</td>
<td>$48,854</td>
<td>$1,687,381</td>
</tr>
<tr>
<td>2007 Proposed Budget</td>
<td>$1,529,454</td>
<td>$118,468</td>
<td>$51,963</td>
<td>$1,699,885</td>
</tr>
</tbody>
</table>

**Assigned Carriers**

67 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September 30, 2006, 15 companies are currently receiving assignments, including the four LAD carriers.

**Certified Producers**

As of 9/25/06 there are 2,366 producers certified to transact business with NJPAIP.

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, 2006 is $95,793.21. Reimbursement payments to carriers since inception total $18,810.44. Reimbursements to the Security Fund from producers since inception total $5,311.75.

One of the requirements for certification is attendance at a NJPAIP/NICAIP Combined Producer Procedures Course. The staff had 456 attendees in monthly 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 413 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 52
- Conditional Revocation 6
- One year Revocation 22
- Six Month Revocation 45
- Suspension (30 to 90 days) 78
- Conditioned (Ongoing monitoring) 160
- No Action 24
- Reinstatement of Certification 16
- Denied Certification/Recertification 6
- Granted UZAR Certification 1
- Granted PAIP Certification 3

Total Decisions 413

Since October, 2004, there have been 13 producers placed on EASi restriction.

Since May 17, 1993, 26 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 26 appeals, 1 was granted and 25 were upheld.

**Appeals Hearing Activity**

The Plan office received 178 appeals between October 1, 2005 and September 25, 2006. All appeals were resolved by Plan staff.
Department of Banking and Insurance Filings

From October 1, 2005 through September 30, 2006, 9 filings were made with the Department of Banking and Insurance for NIPAIP. All 9 filings have been approved by the Department of Banking and Insurance and 0 filings are pending. The effective working relationship established between the Department of Banking and Insurance and the NIPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NIPAIP filings.

Rate Activity

There has been 1 revenue neutral rate filing from October 1, 2005 to September 25, 2006. This filing was effective May 1, 2006 for new business and June 15, 2006 for renewals.

The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.
EXHIBIT I

NJPAIP
PROCESSING OPERATION REPORT

OCTOBER 1, 2005 - SEPTEMBER 30, 2006*

<table>
<thead>
<tr>
<th>APPLICATION COUNTS</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSIGNED</td>
<td>58,392</td>
<td></td>
</tr>
<tr>
<td>QUALIFIED</td>
<td>56,061</td>
<td>96%</td>
</tr>
<tr>
<td>% of qualified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>points</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>non-pay</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>suspended</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>misc. other</td>
<td>0.26%</td>
<td></td>
</tr>
<tr>
<td>NON-QUALIFIED (lack of evidence)</td>
<td>2,317</td>
<td>4.0%</td>
</tr>
<tr>
<td>APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE</td>
<td></td>
<td>31.6%</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>68,296</td>
<td></td>
</tr>
<tr>
<td>AVG. # OF VEHICLES PER ASSIGNMENT</td>
<td>1.17</td>
<td></td>
</tr>
</tbody>
</table>

| AVERAGE SERVICE TIME              | 1 Day |     |

| # OF CERTIFIED PRODUCERS OF RECORD AS OF 9/25/06 | 2,366 |

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

Companies (or Groups of Companies) Eligible to Receive NJPAIP Assignments
(Excluding LAD Buy-Out Companies)
As of September, 2006

Non-exempt companies (or groups of companies) which reported calendar year 2004 PPNF New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in calendar year 2006:

AIG Centennial Insurance Company
Allstate New Jersey Insurance Company
American Bankers Insurance Company of Florida*
Encompass Insurance Company of NJ
Farm Family Casualty Insurance Company
Government Employees Insurance Company
Merchants Mutual Insurance Company**
Merchants Insurance Co. of New Hampshire**
Mitsui Sumitomo Insurance Co. of America
New Jersey Cure
New Jersey Manufacturers Group
Penn Manufacturers Association Insurance Co.
Rider Insurance Company*
State Farm Indemnity Co.
Twin Lights Insurance Co.
Utica Mutual Insurance Co. **

*Company is a specialty writer.

LAD servicing companies that did not report calendar year 2004 PPNF New Jersey voluntary liability data, yet are receiving assignments in 2006 on behalf of its LAD buy-out companies:

Camden Fire Insurance Association (formerly Auto-One Insurance Company)
Clarendon National Insurance Company
Lincoln General Insurance Company

**Companies that have reported 2004 PPNF voluntary liability data but are exempt from receiving assignments by order of the NJ Department of Banking and Insurance.

COMPANY

Merchants Mutual Insurance Company
Merchants Insurance Co. of New Hampshire
Utica Mutual Insurance Co.
EXHIBIT III

BUY-OUT COMPANIES (As of September, 2006)

AAA Mid-Atlantic Insurance Co. of NJ
Ace American Insurance Co.
Aegis Security Insurance Co.
Alisa North America Insurance Co.
American Modern Home Insurance Co.
Amica Mutual Insurance Co.
Centennial Insurance Co.
Central Mutual Insurance Co.
Chubb Insurance Co. of NJ
Church Mutual Insurance Co.
Cincinnati Insurance Co.
Electric Insurance Co.
Employers Mutual Casualty Co.
Firemans Fund Insurance Co.
General Insurance Co. of America
Great American Insurance Co.
Greater New York Mutual Insurance Co.
Greenwich Insurance Co.
Hanover Insurance Co.
Harleysville-Garden State Insurance Corp.
IFA Insurance co.
Lancer Ins. Co.
Liberty Mutual Insurance Co.
Liberty Mutual Mid-Atlantic Insurance Co.
Maryland Casualty Co.
Mercury Indemnity Co. of America
Metropolitan Property & Casualty Insurance Co.
Motor Club of America
National General Insurance Co.
National Interstate Insurance Co.
New Jersey Skylands Insurance Assoc.
North American Specialty Insurance Co.
Ohio Casualty of NJ Inc.
Pennsylvania National Mutual Casualty Insurance Co.
Preserver Insurance Co.
Proformance Insurance Co.
Quincy Mutual Fire Insurance
Rutgers Casualty Co.
St. Paul Protective Insurance Co.
Selective Insurance Co. of America
Sentry Insurance
Sompo Japan Insurance Co. of America
Star Insurance Co.
TG Insurance Co.
Tokio Marine & Fire Insurance Co.
Travelers Auto Insurance Co. of New Jersey (First Trenton)
Twin City Fire Insurance Co. (Part of Hartford Group)
Ulico Casualty Co.
USAA Casualty Insurance Co.
US Fidelity & Guaranty Co. (Part of Travelers Group)
Virginia Surety Co.
EXHIBIT IV

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Balance Sheet

December 31, 2005

Assets

Current Assets:
  Cash and cash equivalents (note 3) $ 338,306
  Accrued interest receivable - LAT (note 3) 938
  Prepaid expenses 34,448
  Accounts receivable - American Express BTA 357
  Accounts receivable - Exchange checks 50
  Accounts receivable - CAIP 61,963
  Accounts receivable - SAIP 59,594
  Total current assets 495,656
  Furniture, fixtures and equipment and leasehold improvements, net (note 4) 74,500
  Total assets $ 570,156

Liabilities and Fund Balance

Current Liabilities:
  Accrued expenses $ 32,402
  Accounts payable - AIPSO 51,149
  Accounts payable - SAIP 6,511
  Security fund reserve (note 2(c)) 93,057
  Assessment payable 14,879
  Deferred rent obligation 3,911
  Total current liabilities 201,909

Accrued pension expense (note 6) 131,307
  Total liabilities 333,216

Fund balance 236,940

Commitments and contingencies (notes 7 and 8)
  Total liabilities and fund balance $ 570,156

See accompanying notes to financial statements.
NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Statement of Income, Expenses and Fund Balance

Year ended December 31, 2005

<table>
<thead>
<tr>
<th>Income:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>$ 1,564,455</td>
</tr>
<tr>
<td>Interest</td>
<td>14,795</td>
</tr>
<tr>
<td>Producer seminars</td>
<td>25,400</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td><strong>1,604,650</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>609,787</td>
</tr>
<tr>
<td>Legal</td>
<td>31,933</td>
</tr>
<tr>
<td>Rent and rental equipment (note 7)</td>
<td>224,215</td>
</tr>
<tr>
<td>Central processor</td>
<td>254,747</td>
</tr>
<tr>
<td>Employee relations and welfare (note 6)</td>
<td>118,940</td>
</tr>
<tr>
<td>Postage</td>
<td>75,289</td>
</tr>
<tr>
<td>Telephone</td>
<td>12,916</td>
</tr>
<tr>
<td>Electronic binding</td>
<td>10,247</td>
</tr>
<tr>
<td>Travel</td>
<td>21,056</td>
</tr>
<tr>
<td>Taxes, licenses and fees</td>
<td>53,777</td>
</tr>
<tr>
<td>Office equipment</td>
<td>3,232</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>7,378</td>
</tr>
<tr>
<td>Depreciation and amortization (note 4)</td>
<td>14,860</td>
</tr>
<tr>
<td>Inspection program</td>
<td>810</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,013</td>
</tr>
<tr>
<td>Producer seminars</td>
<td>9,167</td>
</tr>
<tr>
<td>Bad debt</td>
<td>13,225</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,423</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,472,015</strong></td>
</tr>
</tbody>
</table>

| Income over expenses before reapportionment | 132,635 |
| Reapportionment of prior year's surplus   | (300,134) |
| Income under expenses                   | (167,499) |
| Fund balance, beginning of year          | 404,439 |
| Fund balance, end of year                | **$ 236,940** |

See accompanying notes to financial statements.
EXHIBIT V

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
GOVERNING COMMITTEE MEMBERS AS OF SEPTEMBER 30, 2006

PROPERTY CASUALTY INSURERS
ASSOCIATION OF AMERICA

David Hart
New Jersey Manufacturers

Deborah Dickens-Hunter
Allstate Insurance Company

AMERICAN INSURANCE ASSOCIATION

Kevin Carry
Travelers Auto Insurance Company of NJ

Basil Morris
Hanover Insurance Company

LAD CARRIER REPRESENTATIVE

Jay Schmaor
Clarendon Insurance Company

PRODUCER REPRESENTATIVES

Stanley Eisenberg, IBANJ

John Latimer, PIANJ
Barclay Group

Louise Gerhardt, IANJ
Insurance Office of America

NON-AFFILIATED INSURANCE COMPANIES

Roger Hanson
State Farm Mutual

Felix Gerard
AIG/New Hampshire Insurance Company

AT-LARGE REPRESENTATIVES

David Moorhead
Liberty Mutual Insurance Company

John Tissie
New Jersey Skylands Insurance Companies

PUBLIC MEMBER

David Kleinwaks
Abby Rating Systems

DEPARTMENT OF RANKING AND INSURANCE

Anna Saldaa (ex-officio)
New Jersey Department of Banking and Insurance
Law Offices
Pringle Quinn Anzano, P.C.
202 West State Street
Trenton, New Jersey 08608

Telephone: (609) 393-8944
Facsimile: (609) 393-8964

Date: 3/30/07

PLEASE DELIVER THE FOLLOWING PAGES TO:

Name: Peter Mazzei
Facsimile #: 033-3755
Sender: 14 (including cover)

# of Pages: 14

IF YOU DO NOT RECEIVE ALL PAGES OR HAVE ANY PROBLEMS RECEIVING THIS TRANSMISSION PLEASE CONTACT:
Theresa at 609-393-8944

REMARKS:
Looks like it was sent to Tom Musick.

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