December 17, 2007

Peter Muzzei
Office of Legislative Services
PO Box 068
Trenton, New Jersey 08625

Dear Mr. Muzzei:

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

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

Sincerely,

Paul Anzano
December 13, 2007

Peter Muzzei  
Office of Legislative Services  
PO Box 068  
Trenton, New Jersey 08625

Dear Mr. Muzzei:

Pursuant to N.J.S.A. 17:29D-1 et seq., enclosed is the Fifteenth Annual Report of Operations of the New Jersey Personal Automobile Insurance Plan (NJPAIP) from October 1, 2006 through September 30, 2007. In accordance with prior instruction, this Annual Report was forwarded to the Department of Banking and Insurance on September 27, 2007.

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, 2006 to September 30, 2007. The filing was effective December 1, 2007, and amended the rates for all NJPAIP risks with an overall increase of 1.1%. 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
FIFTEENTH ANNUAL REPORT

REPORT OF OPERATIONS - 10/1/06 THROUGH 9/30/07

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006

Prepared By:

Frank J. Pensabene, AIS, API
Director and Resident Manager
September 27, 2007
NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FIFTEENTH ANNUAL REPORT
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NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
FIFTEENTH ANNUAL REPORT
10-1-06 TO 9-30-07

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, 28,996 private passenger automobile insurance applications were assigned (compared to 58,259 in the previous 12-month period), representing a decrease of 50.2%. As of December 31, 2006, the PAIP in-force exposures represent 1.2% 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 2007 to be approximately 30,000 with the anticipation that 2008 assignments will be approximately 35,000.

**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).

**NJSAP**
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 23,923 SAIP applications assigned to Prudential National Insurance Company during the period October 1, 2006 to September 25, 2007.

**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, 2006 to September 25, 2007, the NIAIP assigned 134 VRT applications to carriers.

**Low Speed Vehicles (LSV)**
Low Speed Vehicle Assignments began on May 1, 2006. From October 1, 2006 to September 25, 2007, the plan assigned 2 Low Speed Vehicle assignments.

**Staffing**
Our budgeted staff for 2007 is 24 for CAIP, PAIP, SAIP and UZAR, down from 28 in 2006. The Plan currently has 19 full-time employees and 1 part-time employee. We have budgeted for 22 employees for 2008 should the need arise. We expect to end the year with 20 employees due to the hiring of an SIU Investigator whose expenses will be shared with the Pennsylvania Plan.
**Budget.** The 2006 year end expenses were $1,554,638, 13.7% below budgeted expenses of $1,801,482. The under budget condition was attributable to year-end staff vacancies and lower than anticipated volume. Our proposed 2008 combined budget for PAIP, SAIP, UZAR and VBAPP is $1,536,060. This figure represents a 9.64% decrease from the original 2007 combined budget of $1,699,885 and a 3.70% increase from the combined reprojected budget of $1,481,233.

<table>
<thead>
<tr>
<th>Original Budget</th>
<th>PAIP</th>
<th>SAIP</th>
<th>UZAR</th>
<th>VBAPP</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$1,529,454</td>
<td>$118,468</td>
<td>$51,963</td>
<td>–</td>
<td>$1,699,885</td>
</tr>
<tr>
<td>Reprojected</td>
<td>$1,317,050</td>
<td>$131,522</td>
<td>$32,661</td>
<td>–</td>
<td>$1,481,233</td>
</tr>
<tr>
<td>Budget</td>
<td>$1,351,656</td>
<td>$149,704</td>
<td>$32,606</td>
<td>$2,094</td>
<td>$1,536,060</td>
</tr>
</tbody>
</table>

**Assigned Carriers**

64 companies conducting business in the state of New Jersey are eligible to receive PAIP assignments based on their voluntary writings. As of September, 2007, 11 companies are currently receiving assignments, including the four LAD carriers.

**Certified Producers**

As of 9/25/07 there are 2,223 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, 2007 is $100,392.82. Reimbursement payments to carriers since inception total $18,810.44. Reimbursements to the Security Fund from producers since inception total $5,462.05.

One of the requirements for certification is attendance at a NJPAIP/NJCAIP Combined Producer Procedures Course. The staff had 364 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 416 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 53
- Conditional Revocation 6
- One year Revocation 22
- Six Month Revocation 45
- Suspension (30 to 90 days) 79
- Conditioned (Ongoing monitoring) 161
- No Action 24
- Reinstatement of Certification 16
- Denied Certification/Recertification 6
- Granted UZAR Certification 1
- Granted PAIP Certification 3

Total Decisions 416
Since October, 2004, there have been 16 producers placed on EASI restriction.

Since May 17, 1993, 28 of the decisions were appealed to the Commissioner of Banking and Insurance. Of the 28 appeals, 1 was granted and 27 were upheld.

**Appeals Hearing Activity**

The Plan office received 241 appeals between October 1, 2006 and September 25, 2007. All appeals were resolved by Plan staff.

**Department of Banking and Insurance Filings**

From October 1, 2006 through September 25, 2007, 18 filings were made with the Department of Banking and Insurance for NJPAIP. 17 filings have been approved by the Department of Banking and Insurance and 1 filing is pending. The effective working relationship established between the Department of Banking and Insurance and the NJPAIP Governing Committee, with the efforts of AIPSO Field Operations teams, expedited approvals for NJPAIP filings.

**Rate Activity**

There has been 1 rate filing from October 1, 2006 to September 25, 2007 that is currently pending with the Department of Banking and Insurance. The filing proposes an overall increase of 1.1%. This filing was submitted on July 20, 2007.

The Governing Committee will continue to review rates to ensure that the Plan operates in a revenue neutral environment.
EXHIBIT 1

NJPAIP
PROCESSING OPERATION REPORT

OCTOBER 1, 2006 - SEPTEMBER 30, 2007*

<table>
<thead>
<tr>
<th>APPLICATION COUNTS</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSIGNED</td>
<td>28,996</td>
<td></td>
</tr>
<tr>
<td>QUALIFIED</td>
<td>27,612</td>
<td>95%</td>
</tr>
<tr>
<td>points</td>
<td>47%</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>0.30%</td>
<td></td>
</tr>
<tr>
<td>NON-QUALIFIED (lack of evidence)</td>
<td>1,384</td>
<td>4.8%</td>
</tr>
<tr>
<td>APPLICATIONS WITH PHYSICAL DAMAGE COVERAGE</td>
<td></td>
<td>29.7%</td>
</tr>
</tbody>
</table>

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

| AVERAGE SERVICE TIME | 1 Day |

| # OF CERTIFIED PRODUCERS OF RECORD AS OF 9/25/07 | 2,223 |

* 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, 2007

Non-exempt companies (or groups of companies) which reported calendar year 2005 PPNF New Jersey voluntary liability data and are eligible to receive NJPAIP assignments in calendar year 2007:

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
Foremost Insurance Company*
Government Employees Insurance Company
New Jersey Manufacturers Group
Rider Insurance Company*
State Farm Indemnity Co.
Twin Lights Insurance Co.

*Company is a specialty writer.

LAD servicing companies that did not report calendar year 2005 PPNF New Jersey voluntary liability data, yet are receiving assignments in 2007 on behalf of their LAD buy-out companies:

Camden Fire Insurance Association
Lincoln General Insurance Company
Praetorian Insurance Company

Companies that have reported 2005 PPNF voluntary liability data but are exempt from receiving assignments by order of the NJ Department of Banking and Insurance.

COMPANY

Consumer First Insurance Co.
EXHIBIT III

BUY-OUT COMPANIES (As of September, 2007)

AAA Mid-Atlantic Insurance Co. of NJ
Ace American Insurance Co.
Aegis Security Insurance Co.
Alea North America Insurance Co.
American Modern Home Insurance Co.
Amica Mutual Insurance Co.
Centennial Insurance Co.
Chubb Insurance Co. of NJ
Church Mutual Insurance Co.
Cincinnati Insurance Co.
Countryway Insurance Co.
Drive Insurance Co.
Electric Insurance Co.
Employers Mutual Casualty Co.
Esurance Insurance Co.
Firemans Fund Insurance Co.
First Trenton Indemnity Co.
Founders 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.
IDS Property & Casualty Insurance Co.
IFA Insurance co.
Liberty Mutual Insurance Co.
Maryland Casualty Co.
Merastar Insurance 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 Cure
New Jersey Skylands Insurance Assoc.
North American Specialty Insurance Co.
Preserver Insurance Co.
Proformance Insurance Co.
Quincy Mutual Fire Insurance
Selective Auto Insurance Co. of NJ
Selective Insurance Co. of America
Sompo Japan Insurance Co. of America
Star Insurance Co.
TIG Insurance Co.
Tokio Marine & Fire Insurance Co.
Twin City Fire Insurance Co. (Part of Hartford Group)
Ulico Casualty Co.
USAA Casualty Insurance Co.
Virginia Surety Co.
EXHIBIT IV

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN

Balance Sheet

December 31, 2006

Assets

Current Assets:
- Cash and cash equivalents (note 3) $258,380
- Accrued interest receivable - LAT (note 3) 1,251
- Prepaid expenses 30,833
- Assessment receivable 25,068
- Accounts receivable - CAIP 44,656
- Accounts receivable - SAIP 4,109
- Accounts receivable - cash advance 185
Total current assets 364,482

Furniture, fixtures and equipment and leasehold improvements, net (note 4) 58,228

Total assets $422,710

Liabilities and Fund Balance

Current Liabilities:
- Accrued expenses $804
- Accounts payable - AIPSO 46,742
- Accounts payable - American Express 389
- Accounts payable - trade 7,610
- Accounts payable - use tax 106
- Security fund reserve (note 2(c)) 97,253
- Deferred rent obligation 7,263
Total current liabilities 160,167

Accrued pension expense (note 6) 136,441

Total liabilities 296,608

Fund balance 126,102

Commitments and contingencies (notes 7 and 8)
Total liabilities and fund balance $422,710

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

Statement of Income, Expenses and Fund Balance

Year ended December 31, 2006

Income:
  Assessment $ 1,609,451
  Interest 25,001
  Producer seminars 21,350
  Miscellaneous 11
  Total income 1,655,813

Expenses:
  Salaries 598,822
  Legal 48,365
  Rent and rental equipment (note 7) 234,529
  Central processor 210,166
  Employee relations and welfare (note 6) 144,597
  Postage 70,805
  Telephone 20,873
  Electronic binding 6,647
  Travel 29,308
  Taxes, licenses and fees 51,342
  Office equipment 4,105
  Printing and stationery 6,848
  Depreciation and amortization (note 4) 17,575
  Inspection program 47
  Insurance 5,010
  Producer seminars 5,812
  Miscellaneous 5,018
  Total expenses 1,459,869

Income over expenses before reapportionment 195,944
Reapportionment of prior year's surplus (306,782)
Income under expenses (110,838)
Fund balance, beginning of year 236,940
Fund balance, end of year $ 126,102

See accompanying notes to financial statements.
EXHIBIT V

NEW JERSEY PERSONAL AUTOMOBILE INSURANCE PLAN
GOVERNING COMMITTEE MEMBERS AS OF SEPTEMBER 30, 2007

PROPERTY CASUALTY INSURERS
ASSOCIATION OF AMERICA

David Hart
New Jersey Manufacturers

Deborah Dickens-Hunter
Allstate Insurance Company

AMERICAN INSURANCE ASSOCIATION

Kevin Curry
Travelers Auto Insurance Company of NJ

Basil Morris
Hanover Insurance Company

LAD CARRIER REPRESENTATIVE

John Lusardi
Lincoln General Insurance Company

PRODUCER REPRESENTATIVES

Stanley Eisenberg, IBANJ

John Latimer, PIANJ
Barclay Group

Louise Gernhardt, HANJ
Insurance Office of America

NON-AFFILIATED INSURANCE COMPANIES

Roger Hanson
State Farm Mutual

VACANT

AT-LARGE REPRESENTATIVES

David Moorhead
Liberty Mutual Insurance Company

John Tiene
New Jersey Skylands Insurance Companies

PUBLIC MEMBER

David Kleinwaks
Abby Rating Systems

DEPARTMENT OF BANKING AND INSURANCE

Anna Saldan (ex-officio)
New Jersey Department of Banking and Insurance