

# NJIUA

New Jersey Insurance Underwriting Association

## 2021 Annual Report



The 53<sup>rd</sup> Annual Report

**NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION**

**2021 Annual Report**

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## **New Jersey Insurance Underwriting Association**

### **2021 Annual Report**

#### **Message from the Chair and President**

The Association continued to meet the challenges presented during the second straight year of the Covid-19 pandemic. While the majority of 2021 closely resembled the 2020 remote work environment, associates began to return to the office in the beginning of November. Our staff has remained positive through it all and continues to support our mission statement. “ 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.”

#### **2021 Financial Results**

The financial results were much improved in 2021. The loss ratio improved by 29 points to 44.7% as claims and claim expenses were \$2.2 million better than the prior year.

Year end written premium was \$5,653,490, a decline of \$627,424 or 10% from 2020. Earned premium experienced the same 10% decline to finish the year at \$5,955,692 compared to \$6,629,478 for the same time frame. New business applications and renewals for residential and commercial properties continue to decline. The Association ended the year with 7,908 policies in force, a loss of 875 policies from the prior year.

Underwriting expenses of \$2,198,566 were \$1,141,000 better than last year. The 38.9% expense ratio was 14 points better compared to 53% in 2020. However, this requires further explanation. In the fourth quarter the Association received very favorable book adjustments to the defined benefit plan and the retirement medical trust that reduced our liability in both programs. These adjustments resulted in a fourth quarter expense ratio 75 points lower than last year. Subsequently, the fourth quarter impact had a large influence on the year end expense ratio being where it ended. Without the adjustments the expense ratio would have been 68.7%.

Reported losses were basically flat compared to last year with 384 claims received and 379 in 2020. Hurricane Ida hit New Jersey in September, however, it had nowhere the impact that tropical storm ISAIAS had in August of 2020. The total payments for all 2020 catastrophic losses was \$1,015,629 with ISAIAS accounting for 50% of the losses. In 2021 the five catastrophic losses amounted to a total payout of \$299,407 with Ida accounting for about \$190,000 of the year-end total.

Claims experienced a turnaround from 2020. For 2021 claims indemnity and associated expenses were \$2,642,168 compared to \$4,844,106 the prior year. The improvement was driven by the reduction in the frequency and severity of large losses and catastrophic loss results stated above. The loss ratio of 44.4% was 28 points better against 73% the prior year.

The combined ratio decreased from 126.2% in 2020 to 83%, a 43 point improvement, again, a benefit of the fourth quarter adjustments. The year-end underwriting gain was \$1,114,958 with an additional \$95,920 in investment income and \$9,490 in fee income for a 2021 net gain of \$1,220,368.

### **2021 Highlights**

Association management conducted a review of rate adequacy in the third quarter. Working with members of the Underwriting Committee and Board of Directors, the recommendation to file for a rate increase was approved. Discussions between the Department of Insurance and the Association were still taking place at year's end.

The annual catastrophe exposure analysis was completed in August by reinsurance intermediary Guy Carpenter. As seen in previous studies the exposure to catastrophic loss diminished in concert with the decline in policy count. 2021 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 2018. The final reconciliation indicated a net gain of \$717,000. Based on cash projections for future policy years and the financial position of the Association the decision was made to retain the net gain.

In last year's Annual Report we stated that legacy system replacement vendors would be selected for review in the first two months of 2021 and a final decision made by the end of the first quarter. After system demonstrations from several vendors were attended and vetted by key association staff, we are pleased to report the Board of Directors approved the selection of Finys/Innovative as the new policy administration provider and the associated budget for the project. Formal agreements were signed in April and the IT department in conjunction with Association staff have been working very closely with the FINYS developers ever since. The implementation date for the transition is late fourth quarter 2022.

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 Department representative Bill Horner and others at the Department for their support. We also extend our thanks to legal counsel Cynthia Borrelli. Special recognition goes to all members of the Board of Directors, Chair Pamela Septer, Vice Chair Ben Cowles and Committee Chairs, Vince Noggle, Timothy Cronin, Brian Connors, and Joanne Searles for their advice and guidance on our business activities.



Pamela A. Septer  
Chair, Board of Directors



Steven Mutterperl  
President

# New Jersey Insurance Underwriting Association

## Financial Highlights

Year Ending December 31,  
( U n a u d i t e d )

	2021	2020
PREMIUM WRITTEN	\$5,653,490	\$6,280,914
PREMIUMS EARNED	5,955,692	6,629,478
LOSSES INCURRED	2,223,584	4,104,173
CLAIM EXPENSES INCURRED	418,584	739,933
EXPENSES INCURRED	2,198,566	3,339,867
UNDERWRITING GAIN (LOSS)	1,114,958	(1,554,495)
ADD NET INVESTMENT GAIN	95,920	188,514
TOTAL OTHER INCOME	9,490	11,994
NET OPERATING GAIN (LOSS)	\$1,220,368	(\$1,353,987)
LOSS RATIO	44.36%	73.07%
EXPENSE RATIO	38.89%	53.17%
COMBINED RATIO	83.25%	126.24%

# 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 )	
	2021	2020
<b>Admitted assets</b>		
Cash and invested assets:		
Bonds	\$1,684,226	\$1,282,739
Equity securities	1,666,716	1,339,568
Cash and short-term investments	4,608,753	6,645,437
Total cash and invested assets	7,959,695	9,267,744
Accrued investment income	12,449	27,361
EDP equipment	14,102	21,707
Premiums receivable	86,860	94,602
Total admitted assets	\$8,073,106	\$9,411,414
<b>Liabilities and members' equity</b>		
Liabilities:		
Unpaid losses	\$821,395	\$1,254,013
Unpaid loss adjustment expenses	256,062	323,369
Unearned premiums	2,825,718	3,127,920
Advance premiums	150,976	163,490
Amounts held for others	51,321	65,348
Payable for securities	-	679
Accrued expenses	132,973	130,700
Other liabilities	63,078	42,397
Claim checks payable	1,951	5,000
Premium taxes and filing fees payable	118,598	120,274
Postretirement benefits	470,490	1,013,529
Defined pension plan benefits	-	427,230
Total liabilities	\$4,892,562	\$6,673,949
Members' equity	3,180,544	2,737,465
Total liabilities and members' equity	\$8,073,106	\$9,411,414

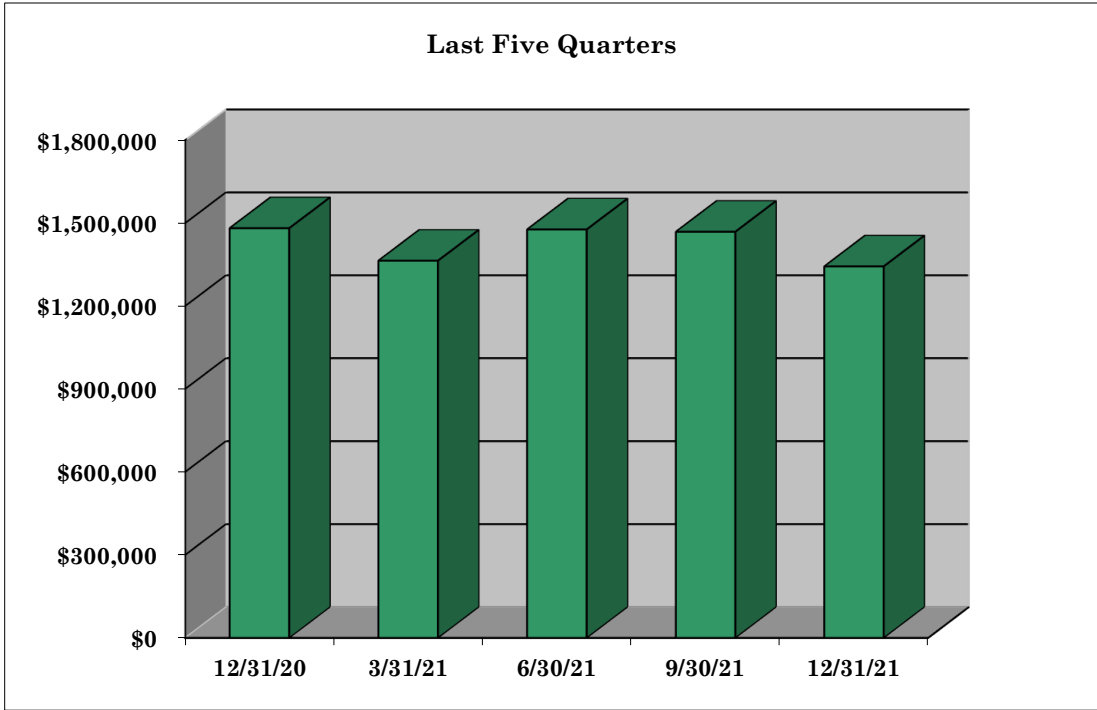
# New Jersey Insurance Underwriting Association

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

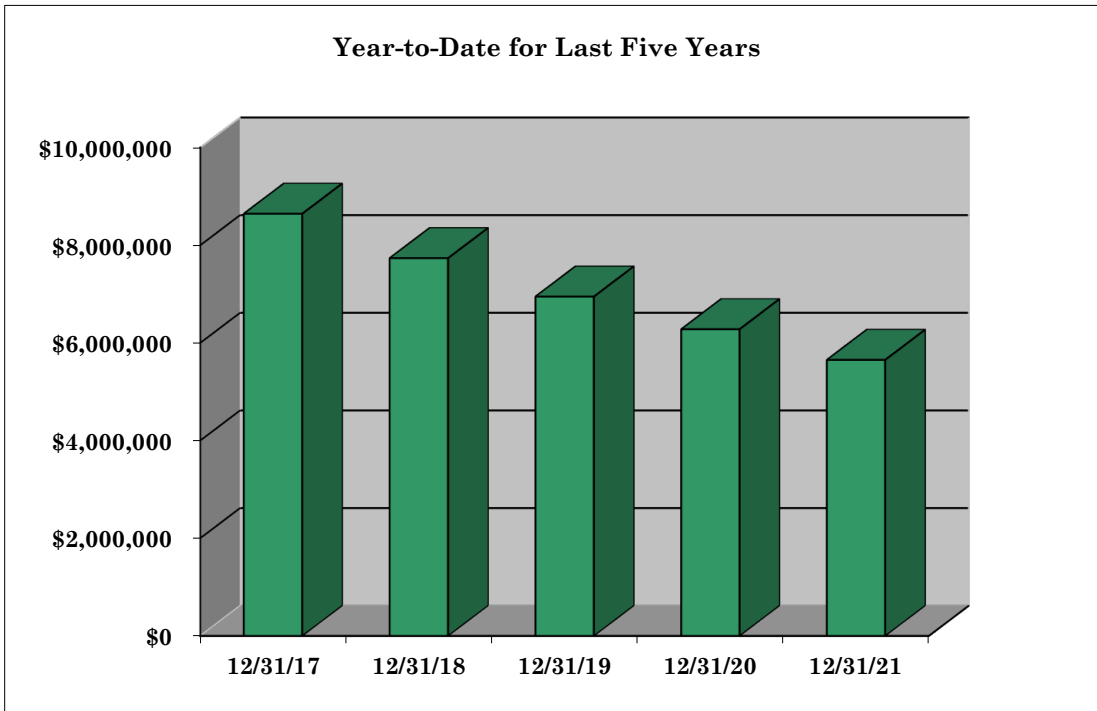
	Twelve Months Ending December 31, (Unaudited)	
	2021	2020
Underwriting income:		
Net premiums written	\$5,653,490	\$6,280,914
Change in unearned premiums	302,202	348,564
Total underwriting income	5,955,692	6,629,478
Underwriting expenses:		
Losses incurred	2,223,584	4,104,173
LAE incurred	418,584	739,933
Commissions	460,639	506,474
Other underwriting expenses	1,705,271	2,764,221
Premium taxes and filing fees	32,656	69,172
Total underwriting expenses	4,840,734	8,183,973
Net underwriting gain (loss)	1,114,958	(1,554,495)
Other income	9,490	11,994
Net investment income	95,920	188,514
Net gain (loss)	1,220,368	(1,353,987)
Members' equity at beginning of year	2,737,465	3,985,936
Change in nonadmitted assets	(756,952)	31,204
Change in net unrealized capital (loss) gain	(24,864)	74,312
Prior periods fixed income securities adjustments	4,527	-
Members' equity at end of year	\$3,180,544	\$2,737,465

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Written Premium - All Lines



<b>Quarter Ending</b>	
12/31/20	\$1,481,681
3/31/21	1,364,072
6/30/21	1,477,197
9/30/21	1,468,858
12/31/21	\$1,343,363

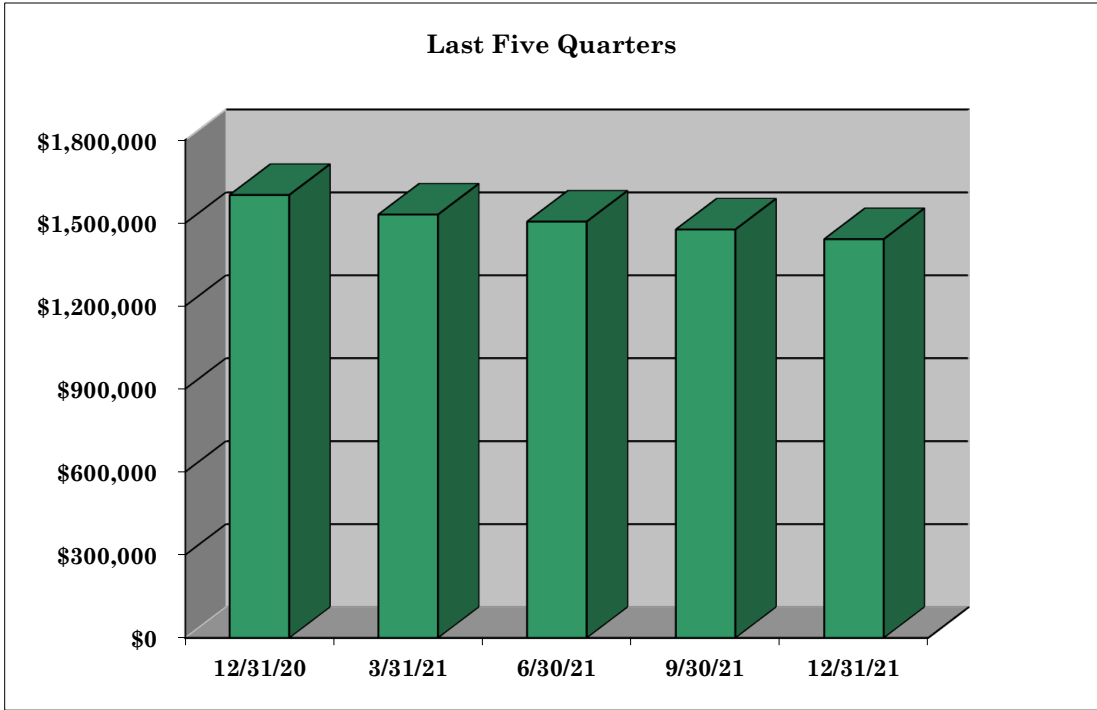


<b>Period Ending</b>	
12/31/17	\$8,645,921
12/31/18	7,736,552
12/31/19	6,949,609
12/31/20	6,280,914
12/31/21	\$5,653,490

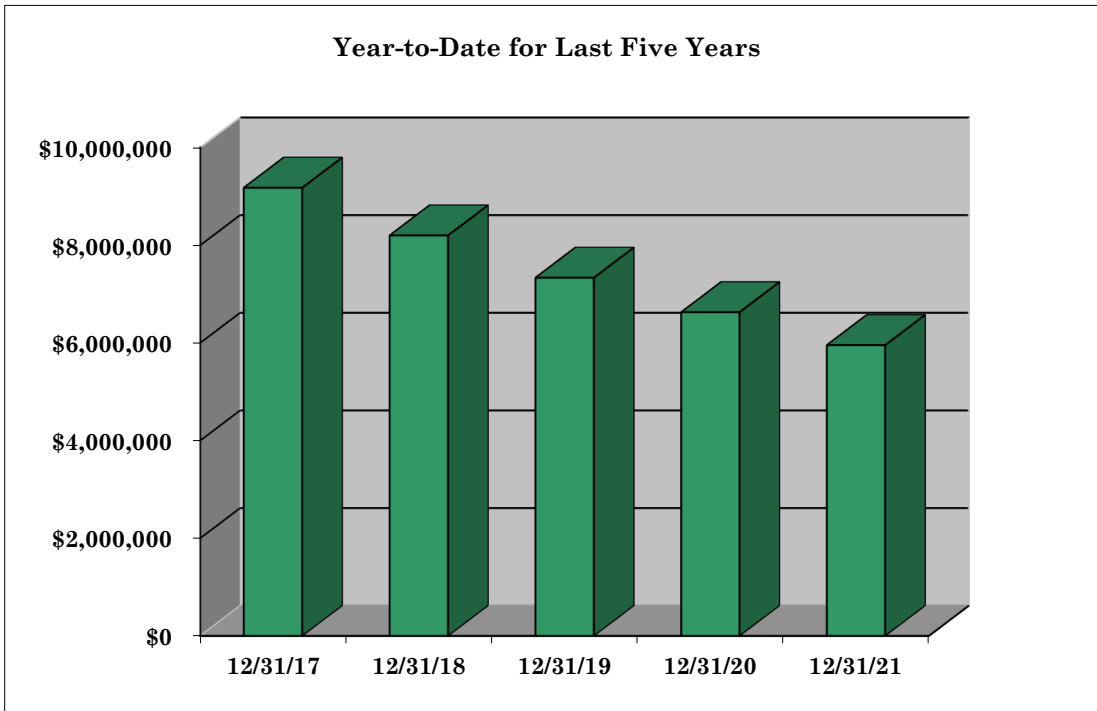


# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Earned Premium - All Lines



<b>Quarter Ending</b>	
12/31/20	\$1,601,874
3/31/21	1,531,058
6/30/21	1,505,648
9/30/21	1,476,930
12/31/21	\$1,442,056

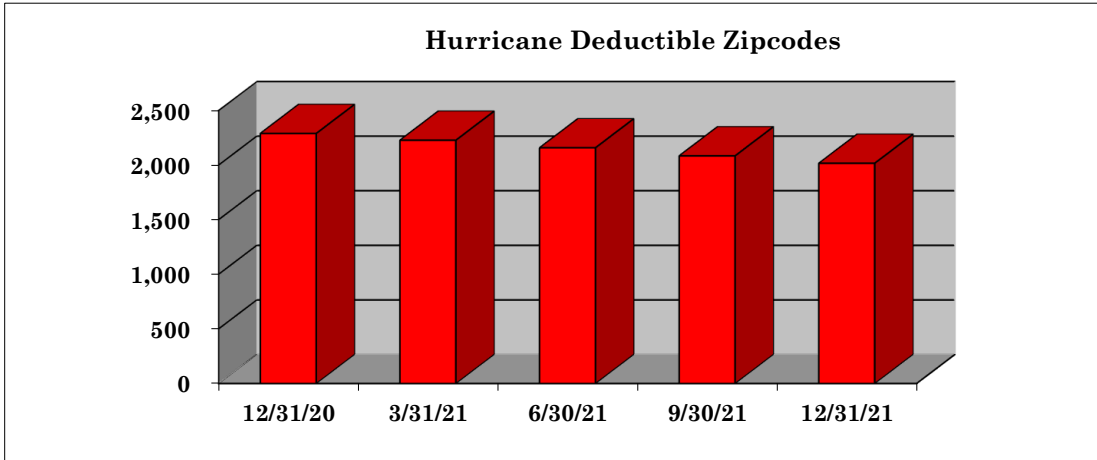


<b>Period Ending</b>	
12/31/17	\$9,178,533
12/31/18	8,201,625
12/31/19	7,335,752
12/31/20	6,629,478
12/31/21	\$5,955,692

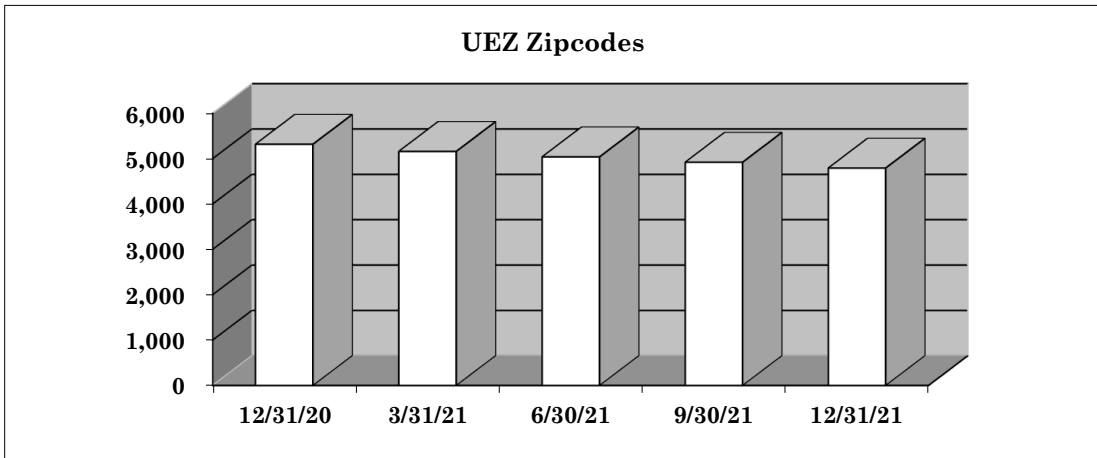
# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## In-Force Policies by Territory - All Lines

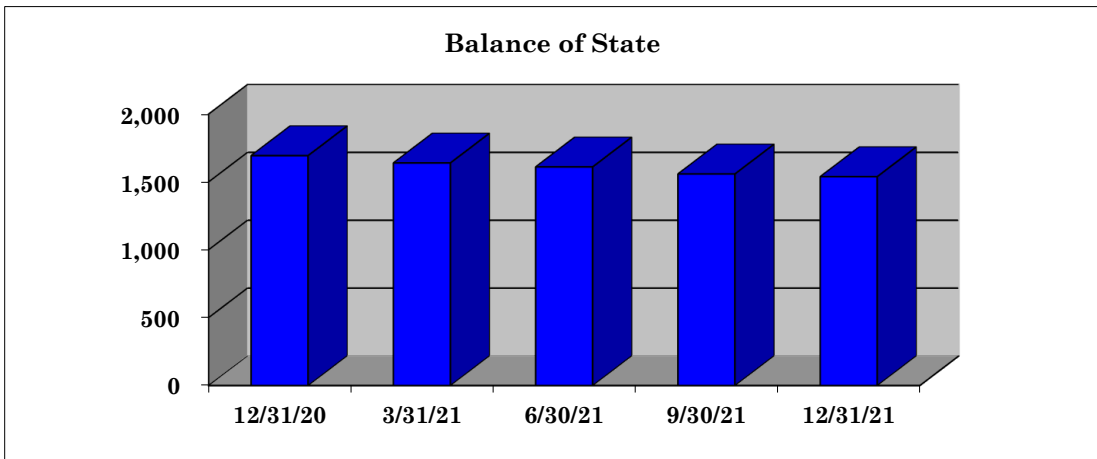
Last Five Quarters



<b>Quarter Ending</b>	
12/31/20	2,290
3/31/21	2,228
6/30/21	2,159
9/30/21	2,085
12/31/21	2,017



<b>Quarter Ending</b>	
12/31/20	5,317
3/31/21	5,159
6/30/21	5,039
9/30/21	4,921
12/31/21	4,792



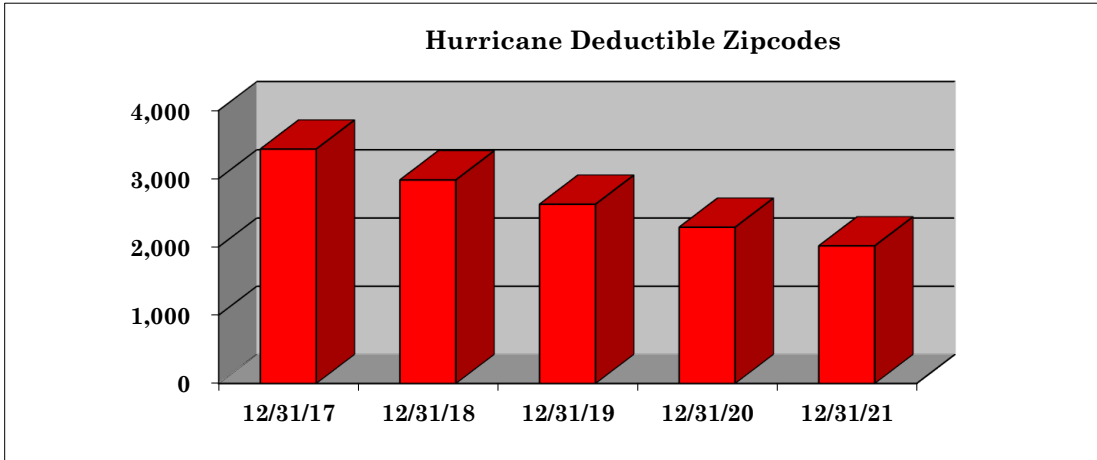
<b>Quarter Ending</b>	
12/31/20	1,694
3/31/21	1,640
6/30/21	1,611
9/30/21	1,559
12/31/21	1,539

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

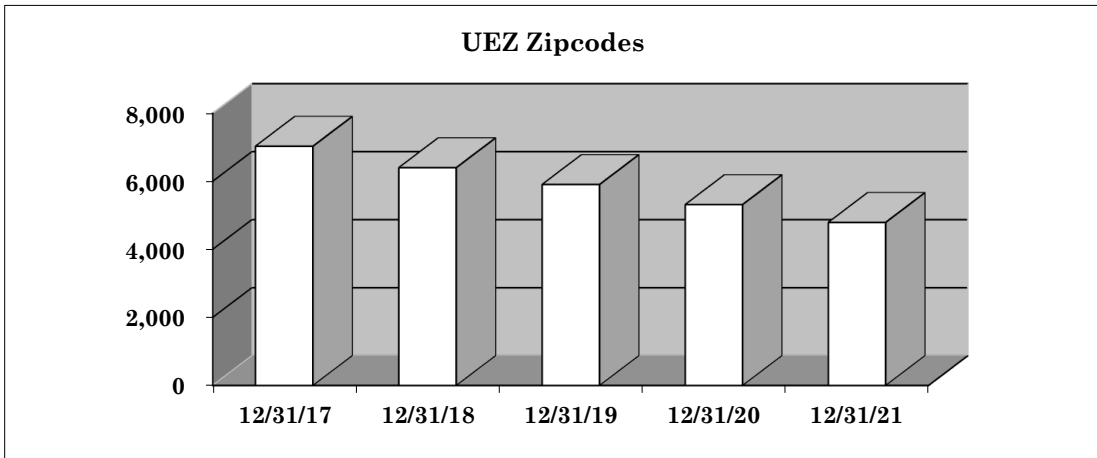
# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## In-Force Policies by Territory - All Lines

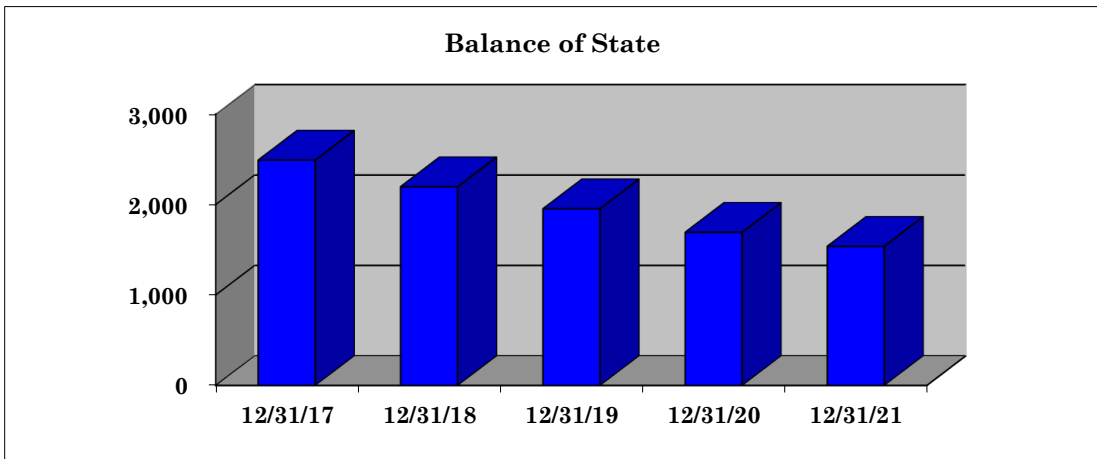
Last Five Years



<b>Period Ending</b>	
12/31/17	3,435
12/31/18	2,983
12/31/19	2,627
12/31/20	2,290
12/31/21	2,017



<b>Period Ending</b>	
12/31/17	7,031
12/31/18	6,401
12/31/19	5,907
12/31/20	5,317
12/31/21	4,792

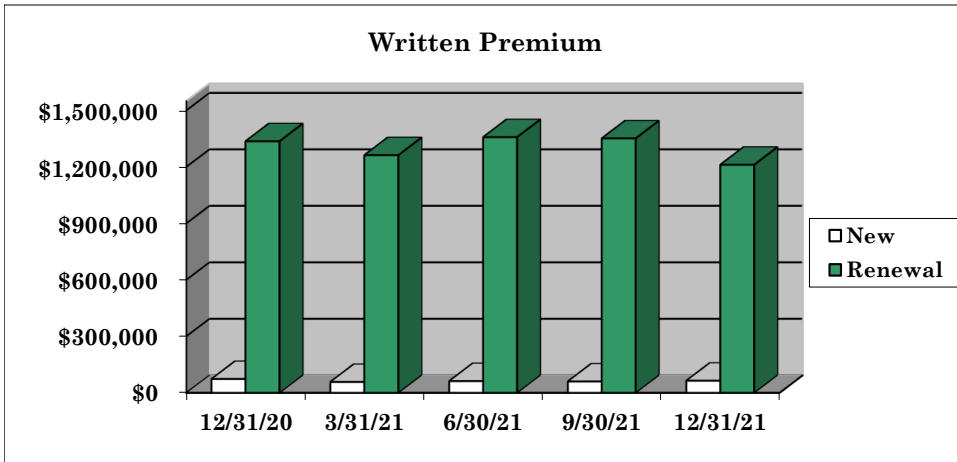


<b>Period Ending</b>	
12/31/17	2,492
12/31/18	2,198
12/31/19	1,954
12/31/20	1,694
12/31/21	1,539

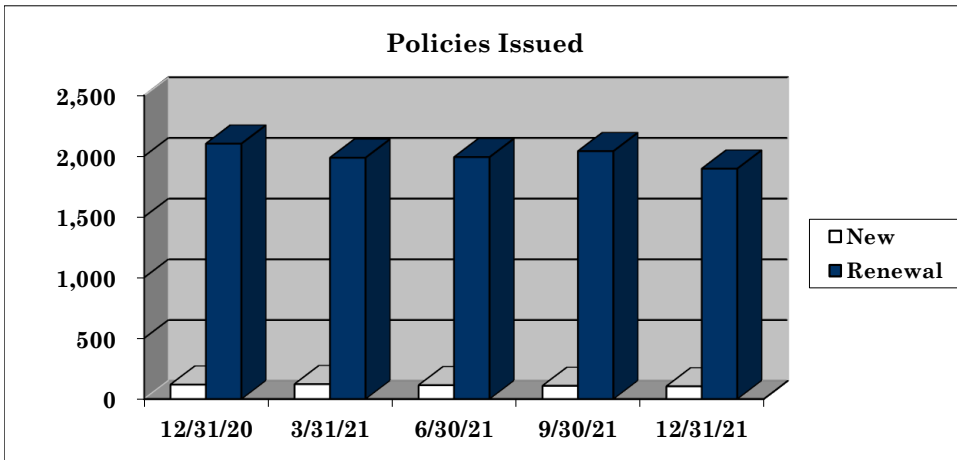
Note: Sum of zipcodes does not equal total due to overlap between Hurricane Deductible and UEZ definitions.

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

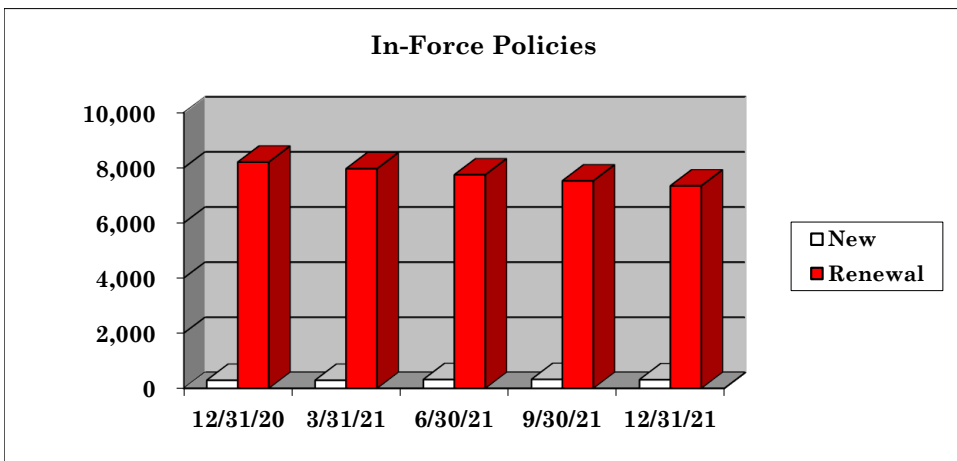
## Dwelling Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	\$73,653	\$1,336,646
3/31/21	\$57,986	\$1,262,807
6/30/21	\$62,556	\$1,358,634
9/30/21	\$60,757	\$1,351,852
12/31/21	\$64,766	\$1,211,767



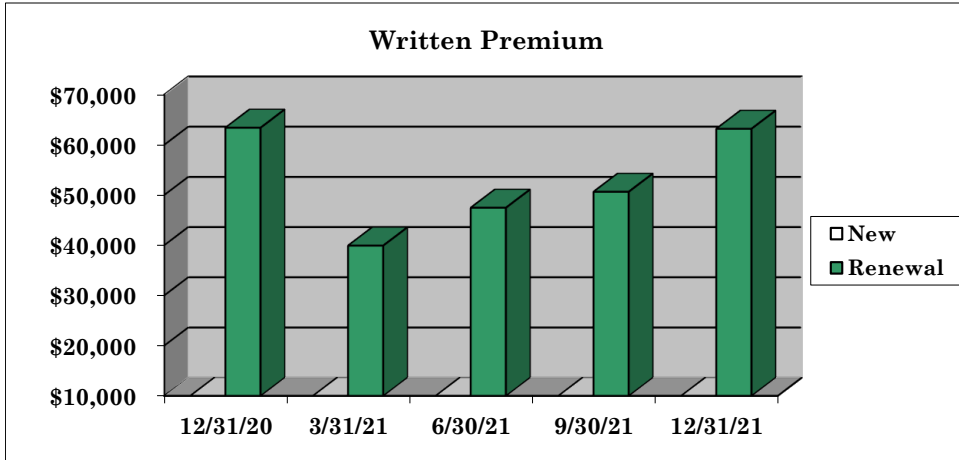
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	119	2,104
3/31/21	123	1,988
6/30/21	114	1,993
9/30/21	109	2,042
12/31/21	105	1,898



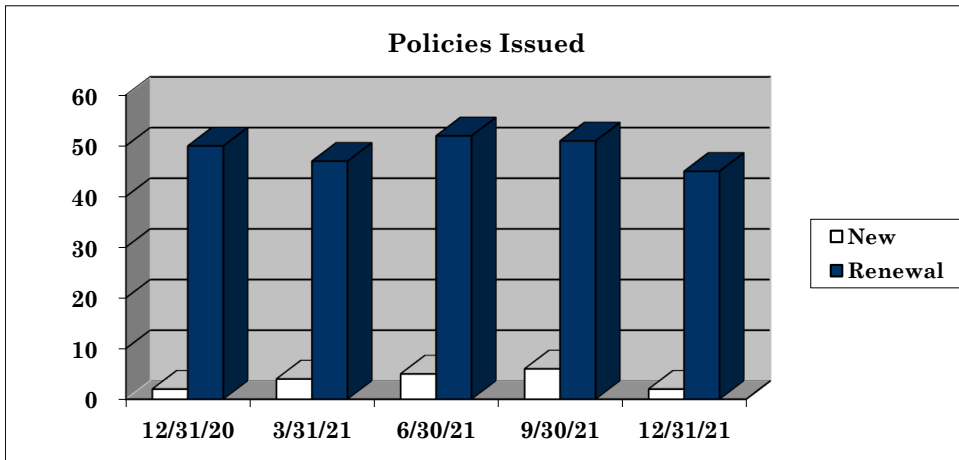
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	293	8,209
3/31/21	293	7,969
6/30/21	321	7,750
9/30/21	325	7,529
12/31/21	313	7,347

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

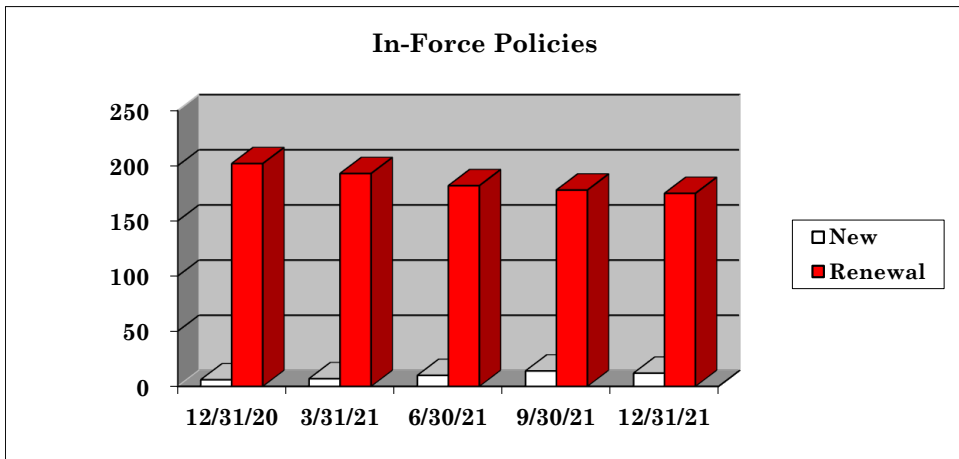
## Commercial Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	\$6,693	\$63,413
3/31/21	2,485	39,929
6/30/21	5,735	47,476
9/30/21	3,432	50,653
12/31/21	\$2,341	\$63,198



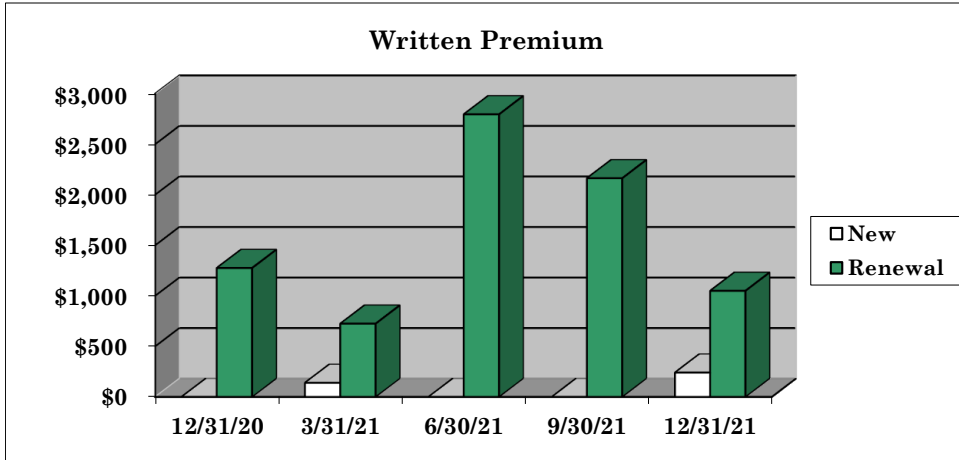
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	2	50
3/31/21	4	47
6/30/21	5	52
9/30/21	6	51
12/31/21	2	45



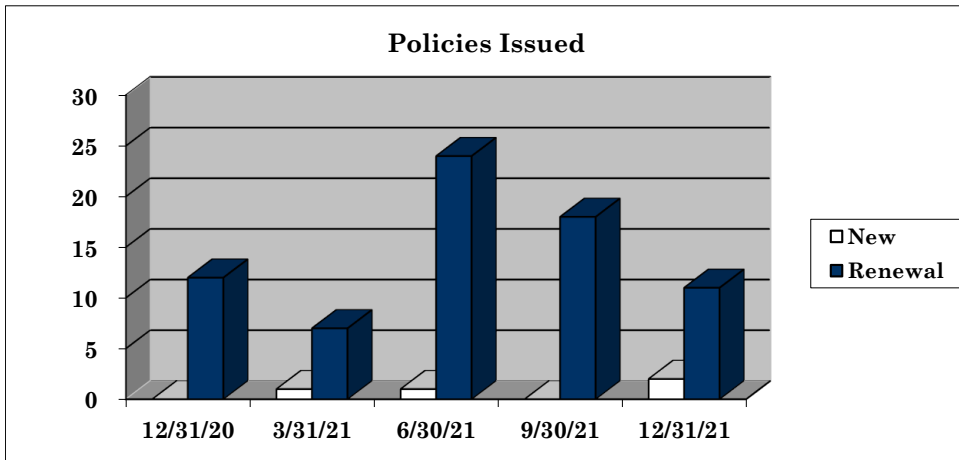
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	6	202
3/31/21	7	193
6/30/21	10	182
9/30/21	14	178
12/31/21	12	175

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

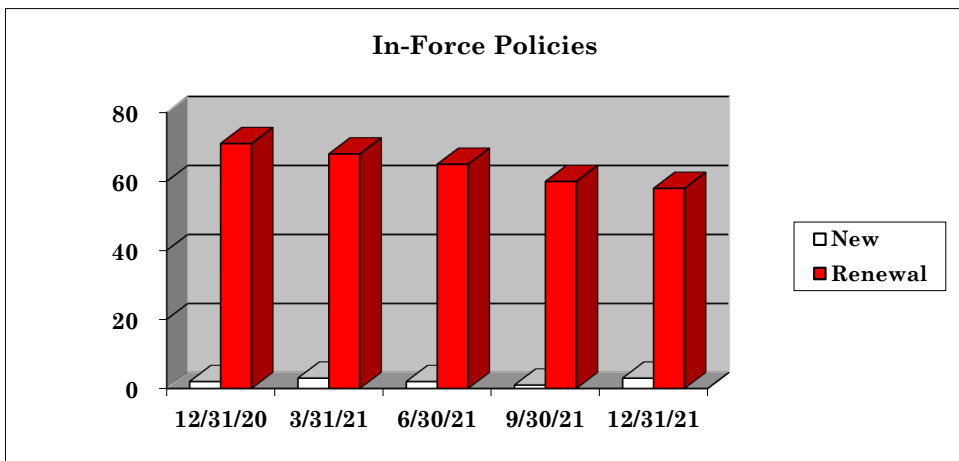
## Crime Business



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	\$0	\$1,276
3/31/21	140	725
6/30/21	0	2,796
9/30/21	0	2,164
12/31/21	\$241	\$1,050



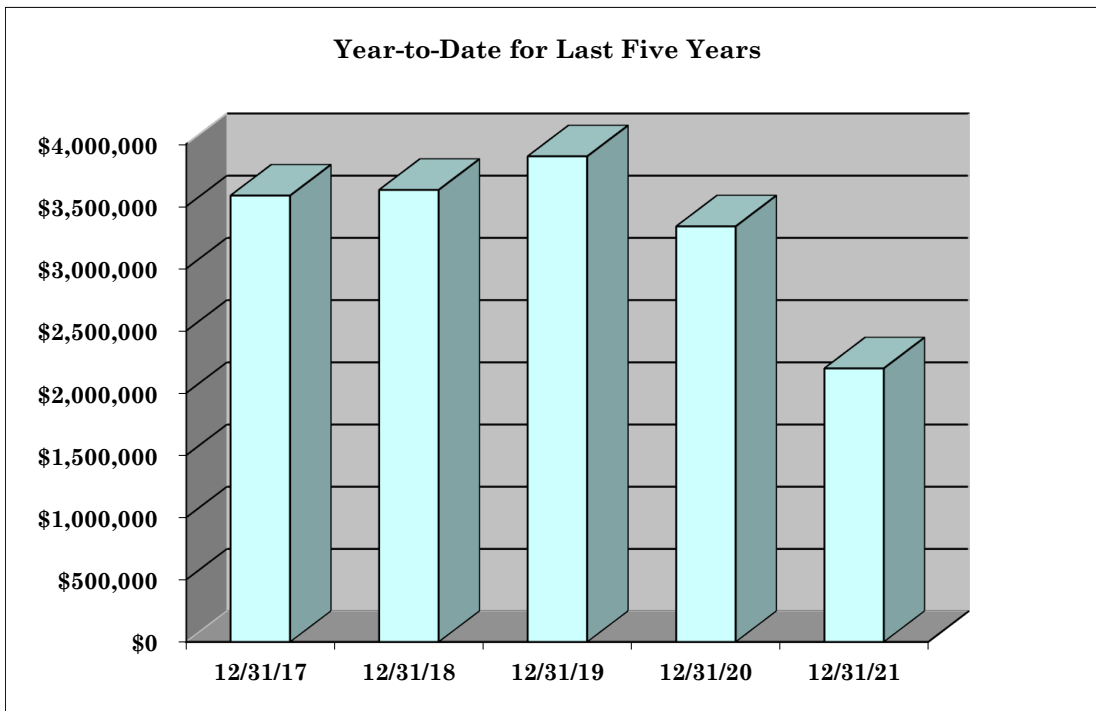
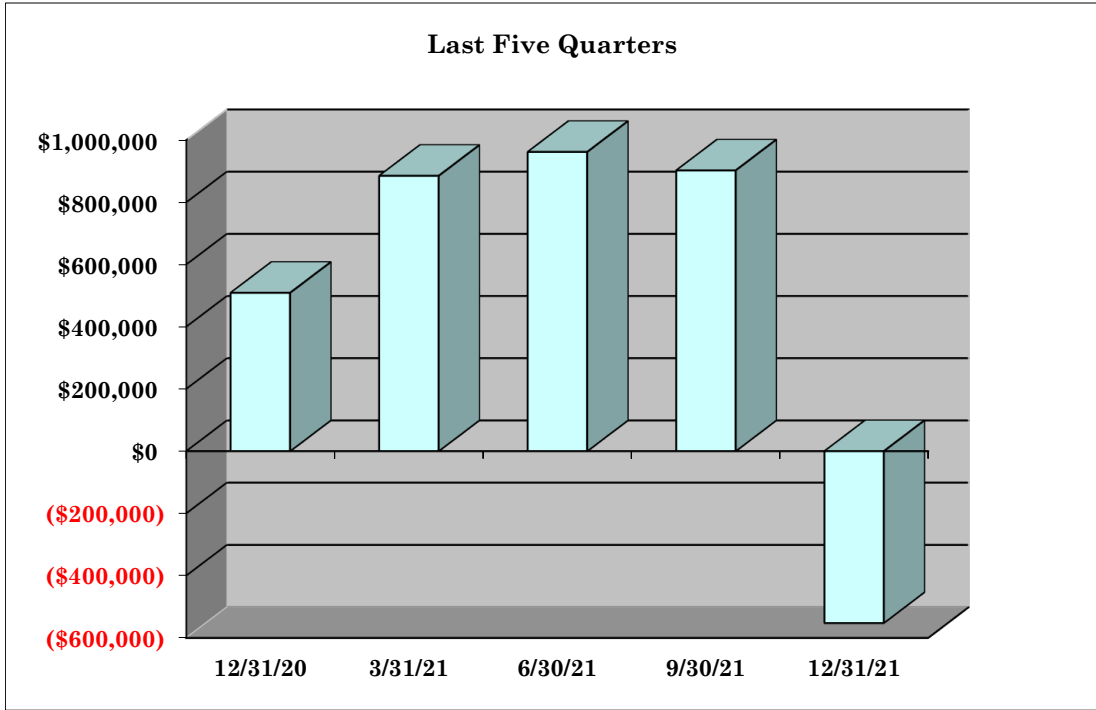
Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	\$0	12
3/31/21	1	7
6/30/21	1	24
9/30/21	0	18
12/31/21	2	11



Quarter Ending	Quarter Ending	
	New	Renewal
12/31/20	2	71
3/31/21	3	68
6/30/21	2	65
9/30/21	1	60
12/31/21	3	58

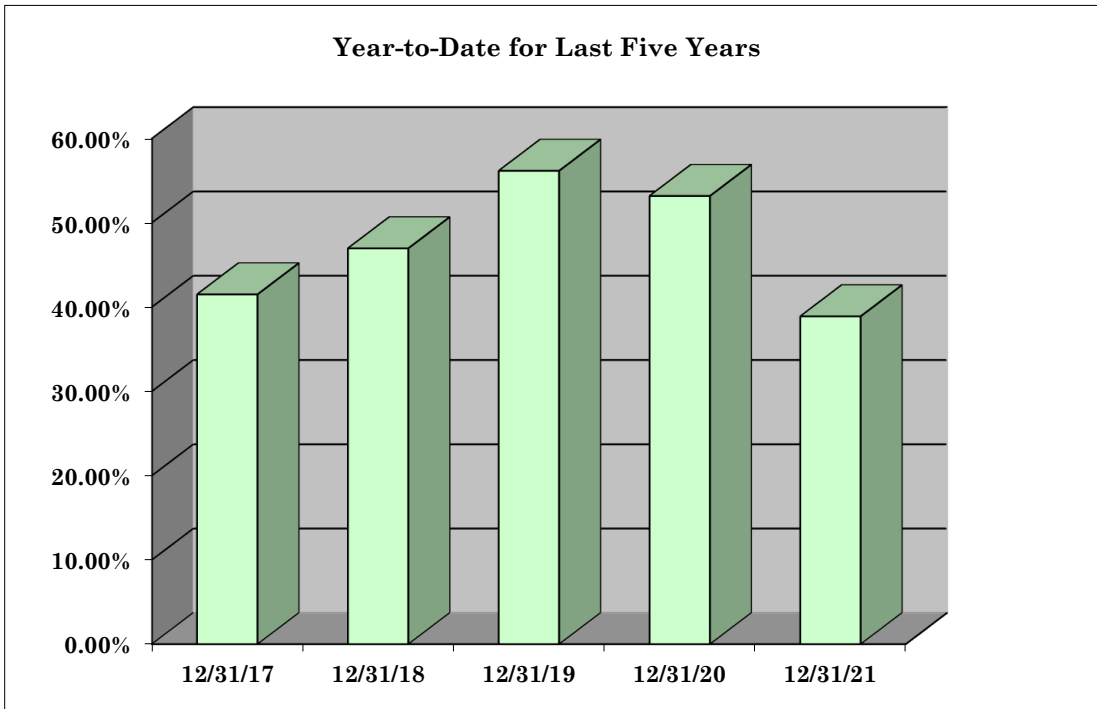
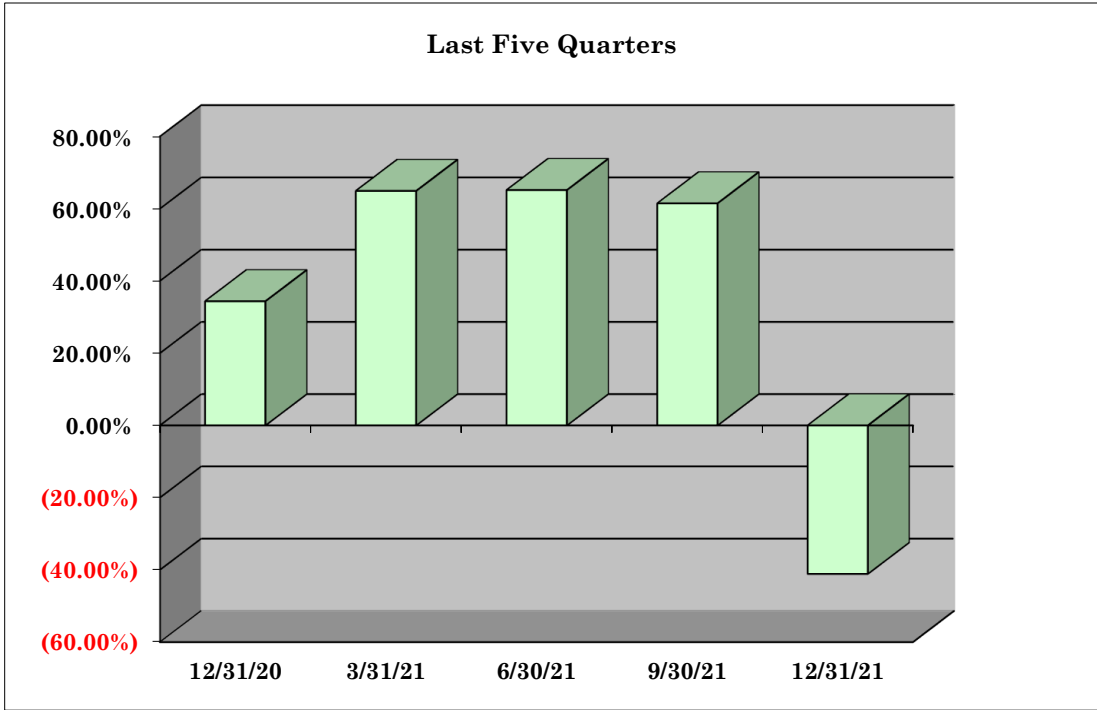
# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Underwriting Expenses Incurred



# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

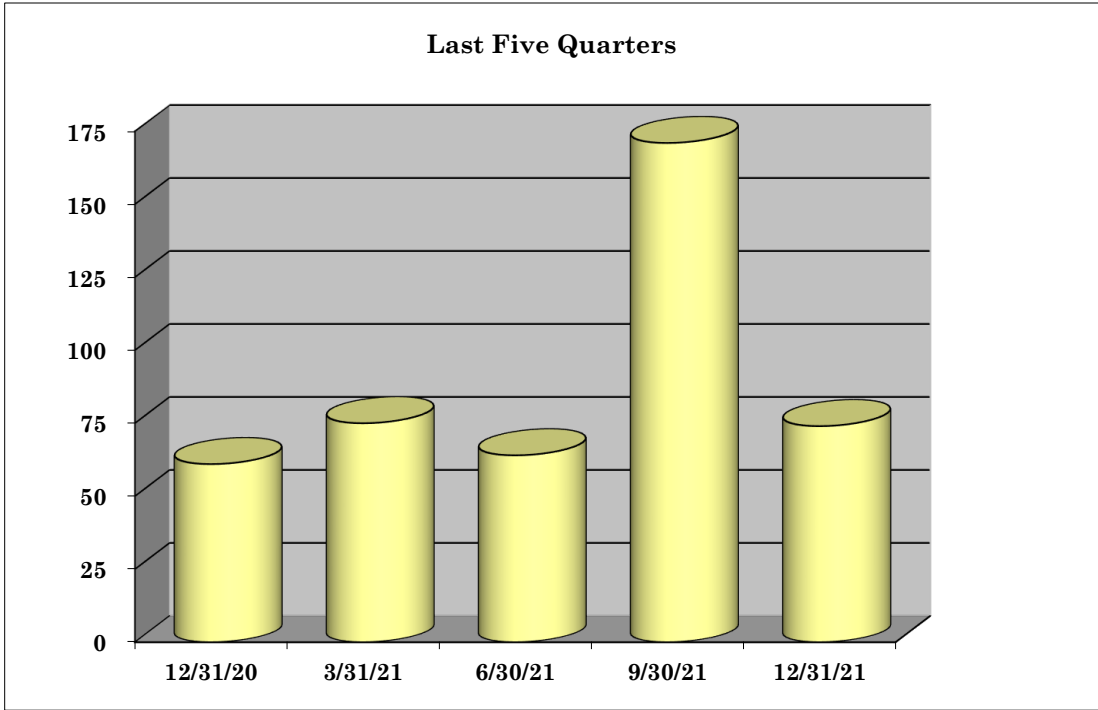
## Expense Ratio



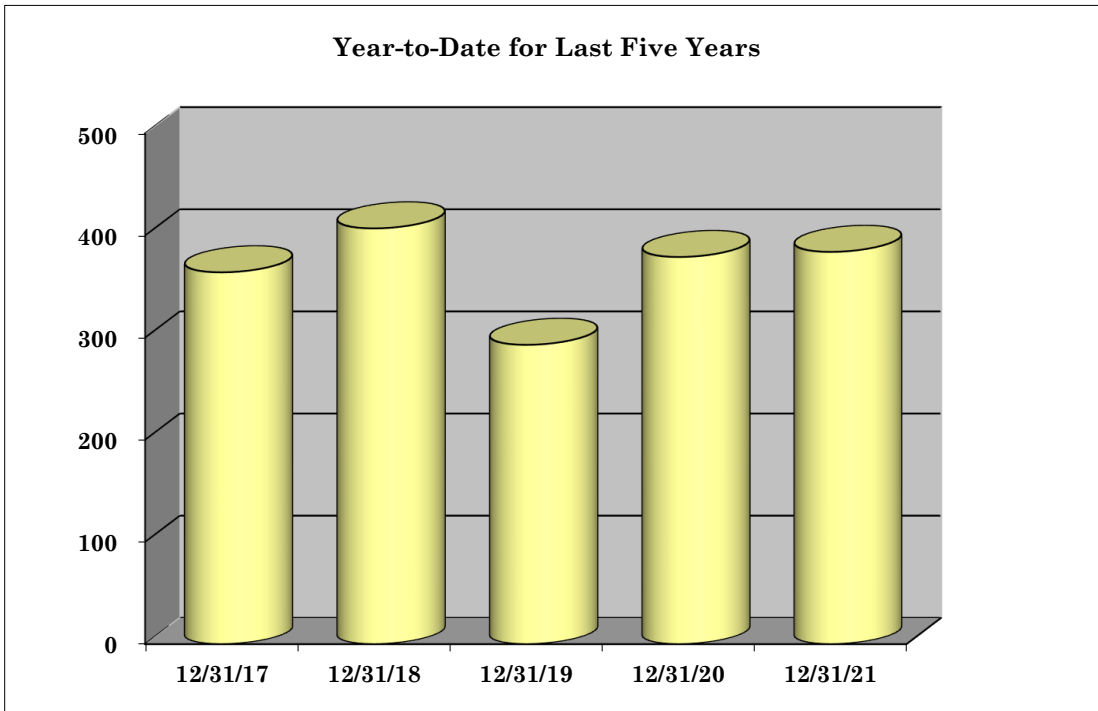


# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Number of New Claims Reported



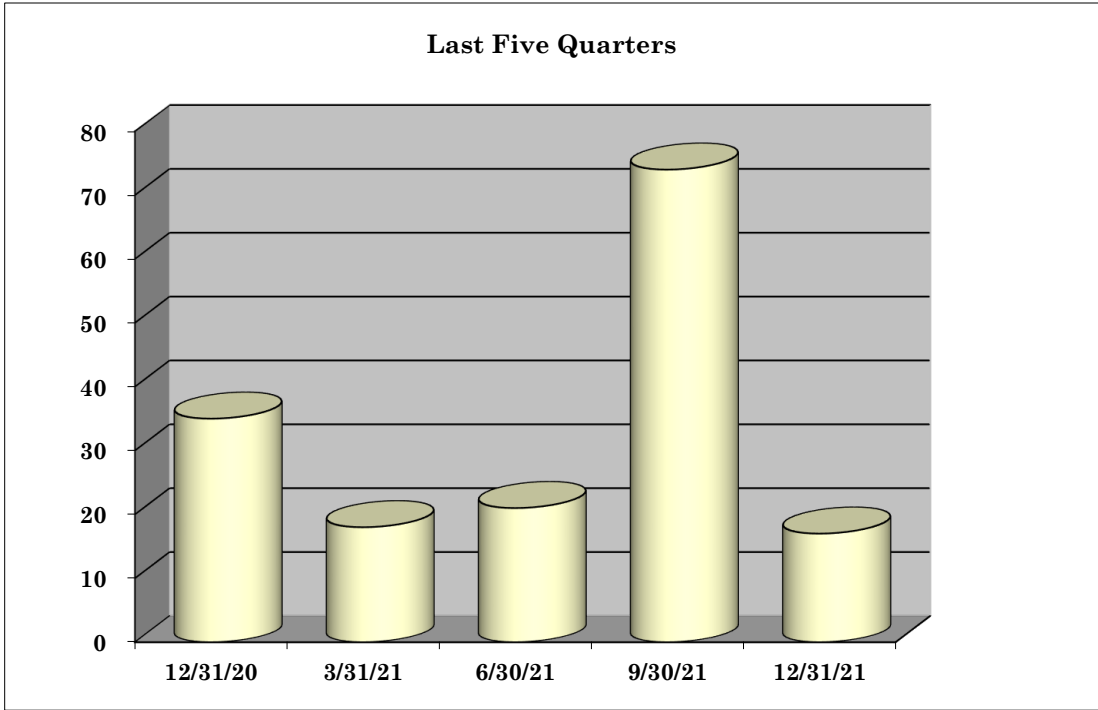
<b>Quarter Ending</b>	
12/31/20	61
3/31/21	75
6/30/21	64
9/30/21	171
12/31/21	74



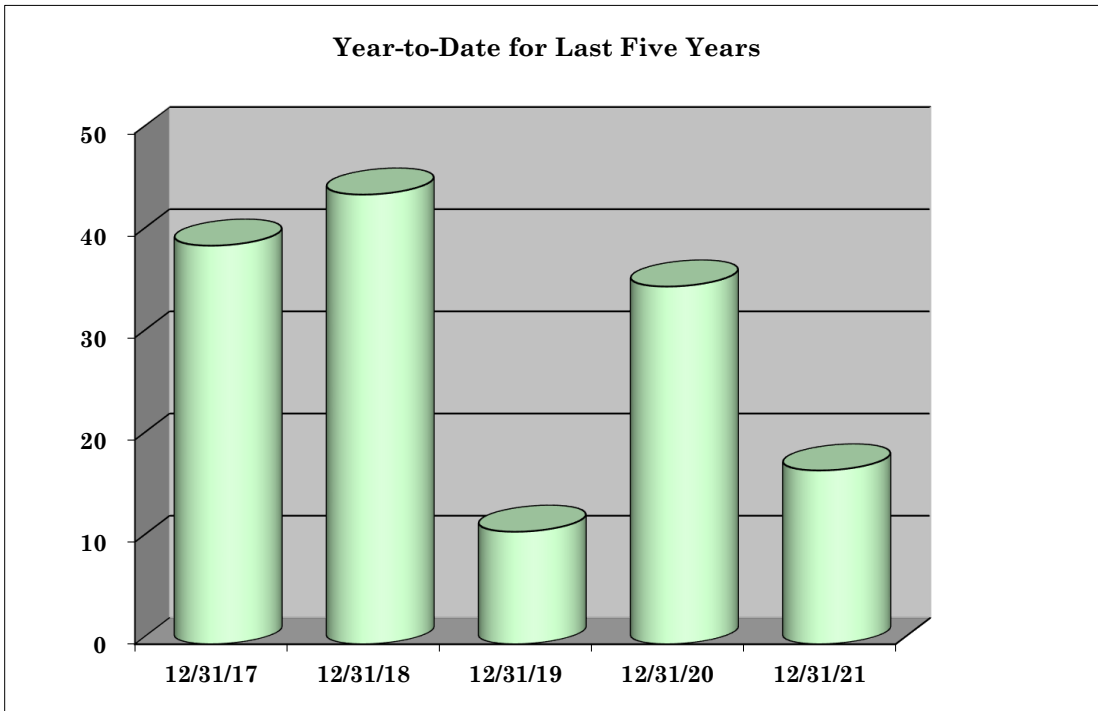
<b>Period Ending</b>	
12/31/17	364
12/31/18	407
12/31/19	293
12/31/20	379
12/31/21	384

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Number of Open Claims



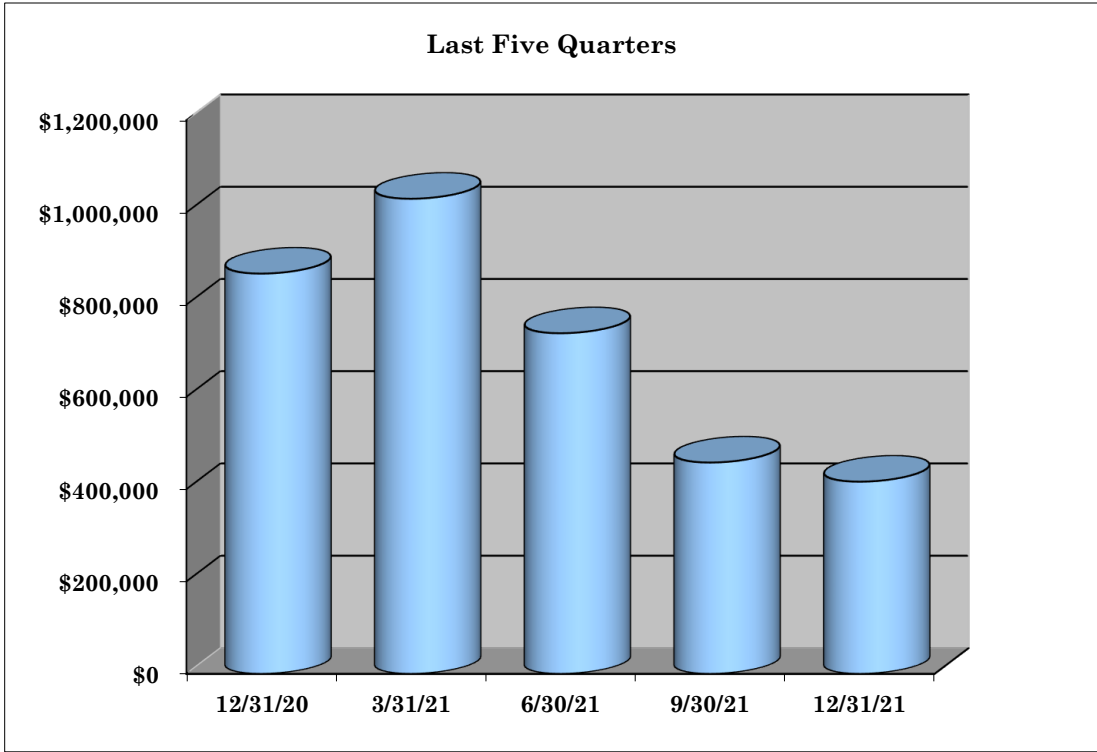
<b>Quarter Ending</b>	
12/31/20	35
3/31/21	18
6/30/21	21
9/30/21	74
12/31/21	17



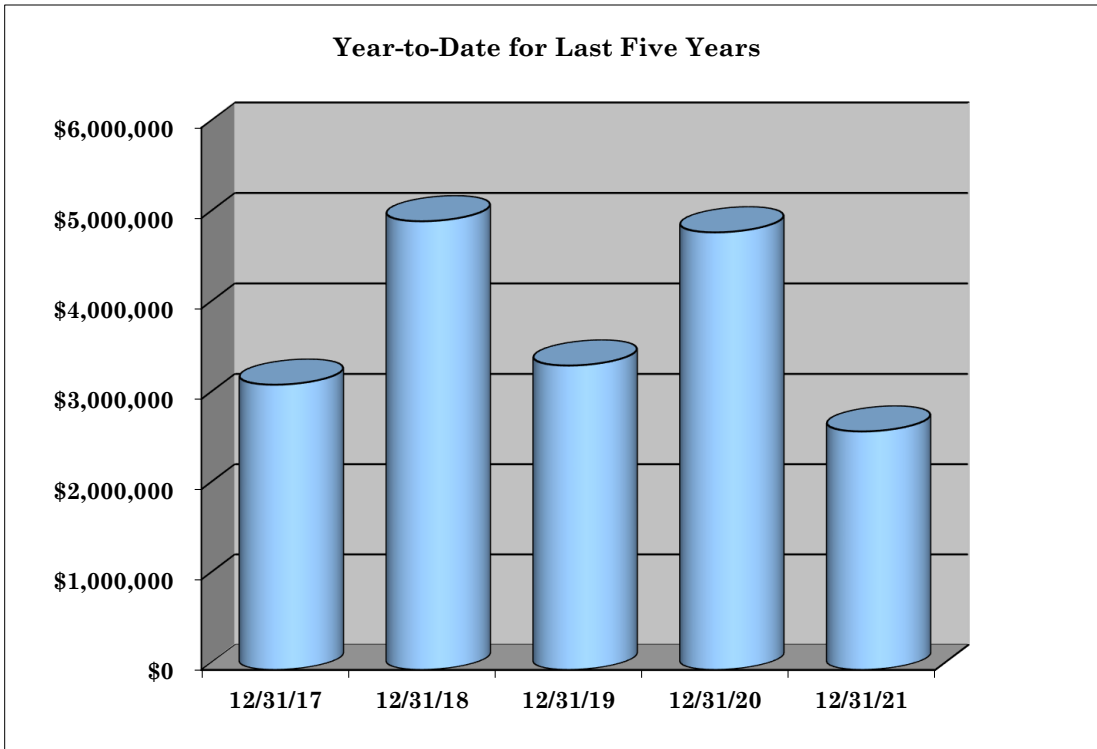
<b>Period Ending</b>	
12/31/17	39
12/31/18	44
12/31/19	11
12/31/20	35
12/31/21	17

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Claims & Claim Expenses Incurred



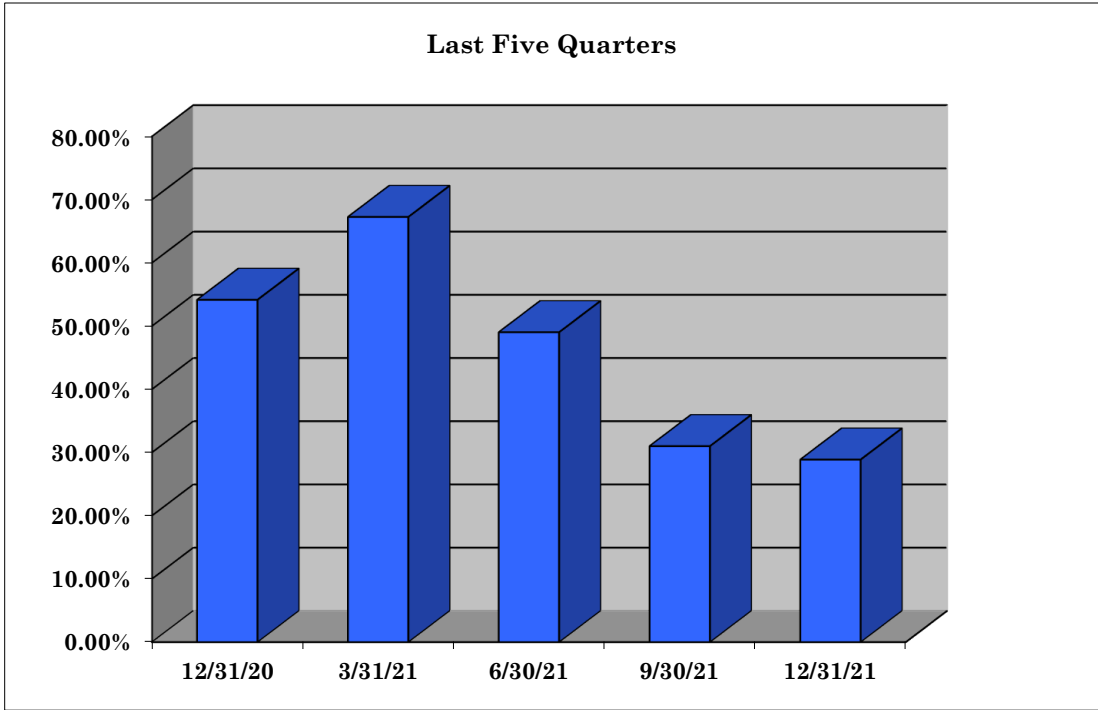
Period Ending	
12/31/20	\$867,485
3/31/21	1,029,792
6/30/21	738,132
9/30/21	457,874
12/31/21	\$416,374



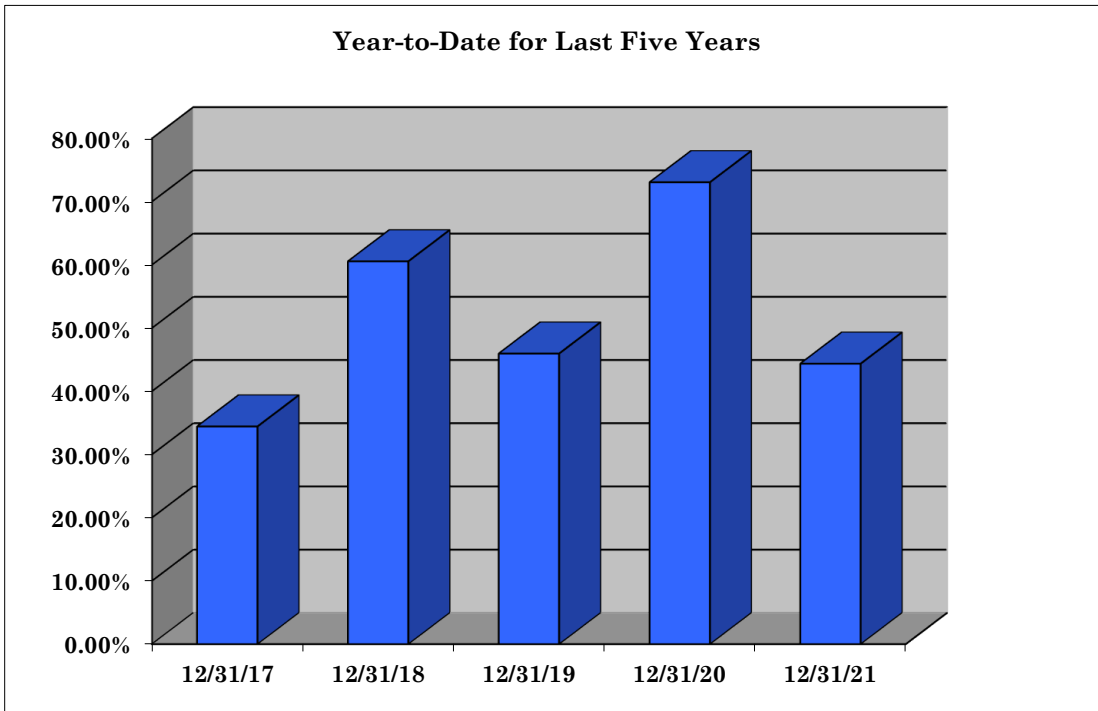
Period Ending	
12/31/17	\$3,160,166
12/31/18	4,966,739
12/31/19	3,372,036
12/31/20	4,844,106
12/31/21	\$2,642,168

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Loss Ratio



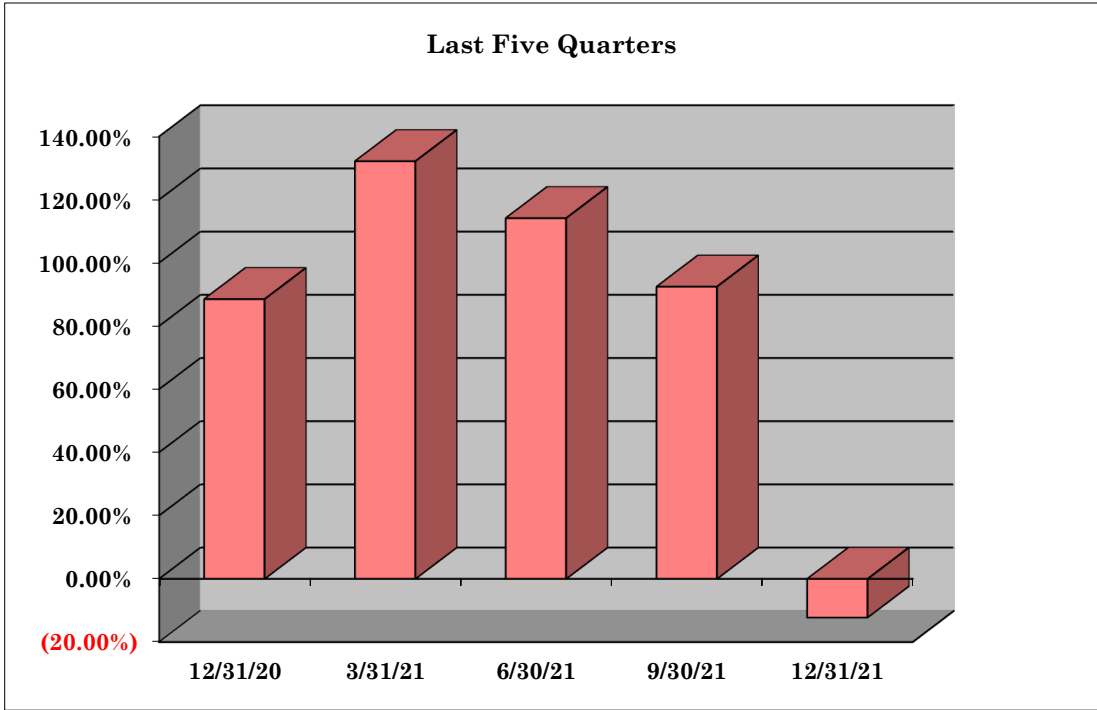
<b>Quarter Ending</b>	
12/31/20	54.15%
3/31/21	67.26%
6/30/21	49.02%
9/30/21	31.00%
12/31/21	28.87%



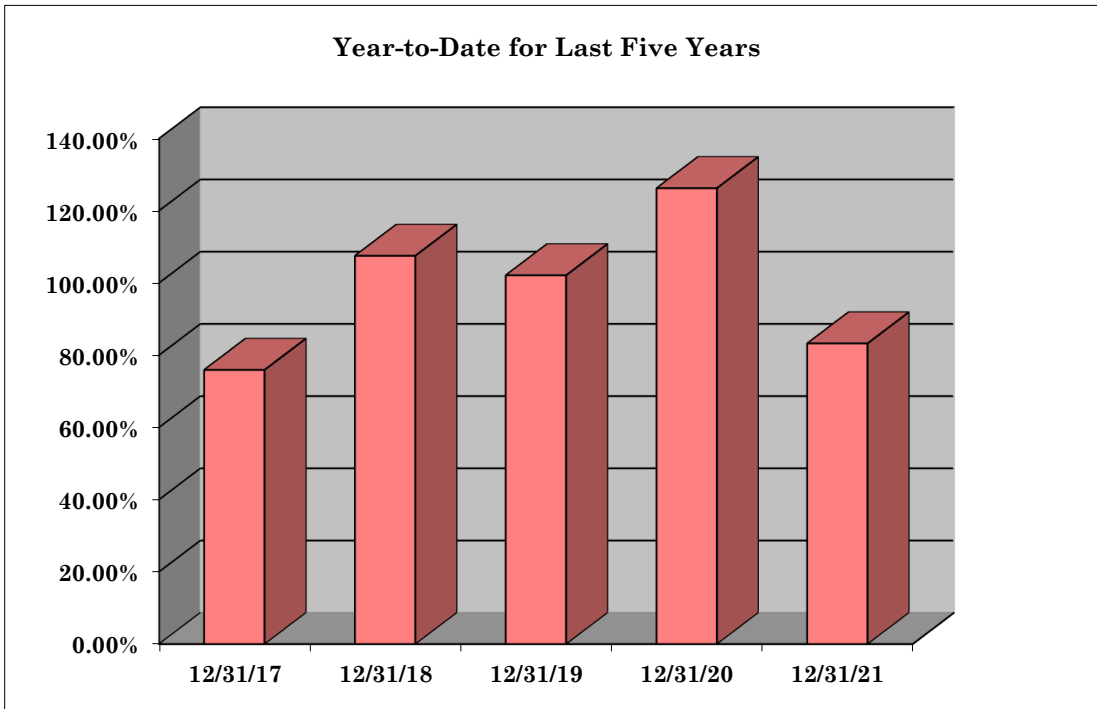
<b>Period Ending</b>	
12/31/17	34.43%
12/31/18	60.56%
12/31/19	45.97%
12/31/20	73.07%
12/31/21	44.36%

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Combined Ratio



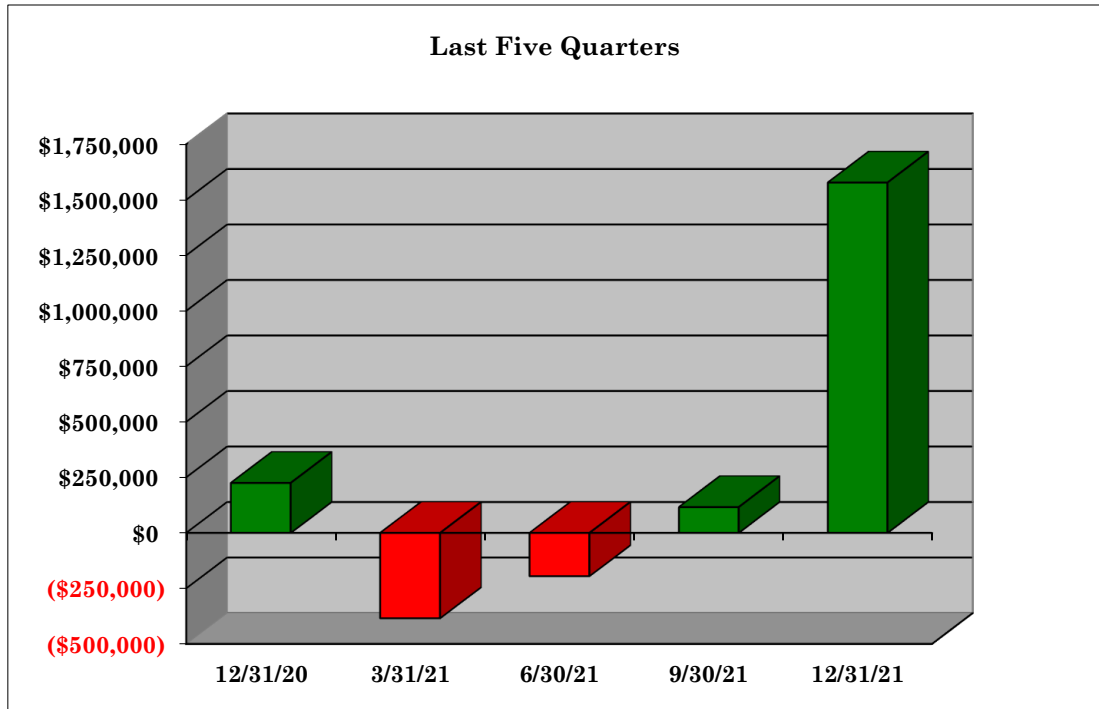
<b>Quarter Ending</b>	
12/31/20	88.52%
3/31/21	132.17%
6/30/21	114.17%
9/30/21	92.47%
12/31/21	12.24%



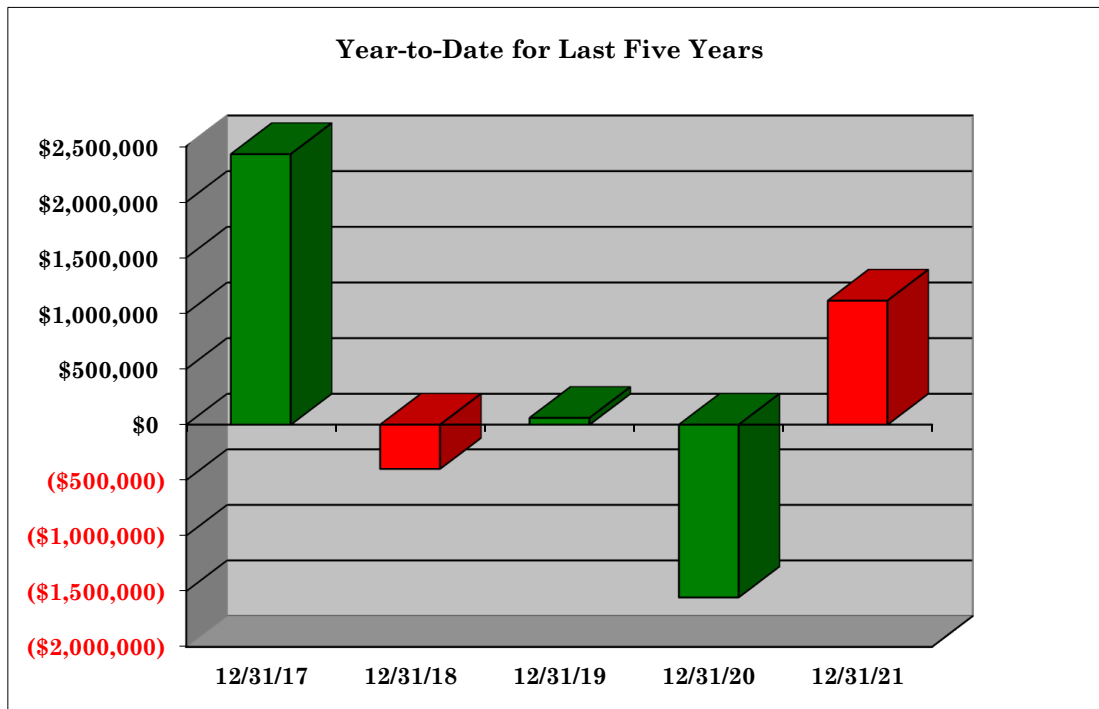
<b>Period Ending</b>	
12/31/17	75.92%
12/31/18	107.52%
12/31/19	102.13%
12/31/20	126.24%
12/31/21	83.25%

# NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

## Underwriting Gain (Loss)



<b>Quarter Ending</b>	
12/31/20	\$225,148
3/31/21	(\$384,206)
6/30/21	(\$194,897)
9/30/21	116,130
12/31/21	\$1,577,931



<b>Period Ending</b>	
12/31/17	\$2,430,792
12/31/18	(\$397,964)
12/31/19	60,855
12/31/20	(\$1,554,495)
12/31/21	\$1,114,958

# New Jersey Insurance Underwriting Association

## Policies Issued by Line of Business

<u>Dwelling Business</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
New	451	438	690	748	1,023
Renewal	7,921	8,918	9,894	11,077	12,121
Total	8,372	9,356	10,584	11,825	13,144
<u>Commercial Business</u>					
New	17	8	16	23	23
Renewal	195	213	238	269	288
Total	212	221	254	292	311
<u>Crime Business</u>					
New	4	2	3	6	6
Renewal	60	75	90	102	120
Total	64	77	93	108	126
<u>All Lines</u>					
New	472	448	709	777	1,052
Renewal	8,176	9,206	10,222	11,448	12,529
Total	8,648	9,654	10,931	12,225	13,581

# New Jersey Insurance Underwriting Association

## Applications Received by Line of Business

<u>Dwelling Business</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
New	490	533	819	1,107	1,457
Renewal	8,280	9,178	11,331	12,316	13,387
Total	8,770	9,712	12,150	13,423	14,844

### Commercial Business

New	9	10	24	24	24
Renewal	180	223	279	297	330
Total	189	233	303	321	354

### Crime Business

New	2	2	6	6	6
Renewal	75	81	110	124	139
Total	77	83	116	130	145

### All Lines

New	501	546	849	1,137	1,487
Renewal	8,535	9,483	11,720	12,737	13,856
Total	9,036	10,028	12,569	13,874	15,343



# New Jersey Insurance Underwriting Association

## Claim Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
New Claims Reported	384	379	293	407	364
Large Losses (+ \$100k)	8	12	7	16	6
Catastrophe Losses	137	101	39	63	1
Arson Losses	2	0	2	2	2
Paid Losses	\$2,656,000	\$3,862,000	\$3,385,000	\$3,888,000	\$2,466,000
Case Reserves	\$421,000	\$698,000	\$672,000	\$1,364,000	\$1,015,000
Loss Exp. Paid	\$486,000	\$700,000	\$848,000	\$729,000	\$717,000
Loss Exp. Reserves	\$256,000	\$323,000	\$283,000	\$344,000	\$311,000
IBNR Reserves	\$400,000	\$556,000	\$340,000	\$448,000	\$481,000

## 2021 ANNUAL REPORT

### NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION

#### BOARD OF DIRECTORS 2021

##### NAME

##### REPRESENTING

Mr. Brian F. Connors, Chair	National General & New Jersey Skylands Insurance
Mr. Michael Schalk	Allstate New Jersey Insurance Company
Mr. Thomas Hyman	Chubb
Mr. Vince Noggle	Franklin Mutual Insurance Company
Mr. Benjamin Cowles	Hartford Fire Insurance Company
Ms. Pamela McQuaid	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. John Roessner	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. Bill Horner	New Jersey Department of Banking and Insurance
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**2021 ANNUAL REPORT**

**NEW JERSEY INSURANCE UNDERWRITING ASSOCIATION**

**STAFF OF THE ASSOCIATION**

Steve Mutterperl  
Jennifer Peaks

Underwriting Services – Steve Mutterperl

Dianna Anthony  
Indra Daniel  
Latisha Elam  
Husmanie Koonjan-Daniel  
Faziah Mangar  
Maritoni Y. Agatep  
Ibis Zafra

Claim Services – Steve Mutterperl

Justin Floyd  
Laurie Hallam

Information Technology – Israel Popack

Theodore Abrams

Financial Services – Albert Chin

Akleema Abrams  
Carmen Rodriguez  
Elaine Tam