

New Jersey Automobile Insurance Risk Exchange

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Date: May 14, 2009
To: NJAIRE Member Companies
Re: Changes to Specialty Vehicle Reporting

Please see the attached change to NJAIRE Procedure Manual Chapters 1 and 3, affecting insurers with a significant volume of specialty vehicles (exceeding 75% of their total New Jersey exposures). This change permits such insurers to defer participation in various NJAIRE financial transactions until the accident year evaluation in the Annual Cash Settlement is converted from the exposure method to the claims method. Typically, this occurs 2-3 years after each accident year when the NJAIRE Board of Directors determines there is sufficient claim development for that accident year. This conversion is communicated to member companies by the Central Processor, ISO.

Procedure Manual Chapter 1, (page 2) is amended to add the following definition of Specialty Vehicles:

t) **Specialty Vehicles** means antique vehicles, classic vehicles and self propelled motor homes.

Procedure Manual Chapter 3 adds a Specialty Vehicle Exception procedure, whereby a Specialty Carrier for which more than 75% of its New Jersey exposures are specialty vehicles, including antique, classic and motor home vehicles, is eligible. The carrier may prospectively request that their reporting of exposure data for specialty vehicles and their participation in provisional transactions and ACS exposure based calculations be eliminated, but maintain their claim reporting requirements. This would defer their NJAIRE assessment and reimbursement for specialty vehicles until each accident year evaluation is converted to the claims method in the Annual Cash Settlement. The carrier would be required to participate in administrative assessments and would therefore still be required to provide separate exposure data for that purpose. Further, the carrier would still be required to follow normal reporting requirements and NJAIRE participation for all other applicable exposures.

Procedure Manual Chapter 3, (page 7) is amended to add specialty vehicle exception guidelines as follows:

Specialty Vehicle Exception

If a member company's Specialty Vehicles comprise more than 75% of its total New Jersey exposures, the company may submit a request to the NJAIRE Central Processor for an exception from NJAIRE processing, on a prospective basis beginning with the next calendar quarter. If an exception from NJAIRE processing is granted, the member company's Specialty Vehicles will be excluded from NJAIRE participation in provisional transactions and Annual Cash Settlement exposure-based transactions.

The member company must still meet NJAIRE requirements for all other exposures subject to NJAIRE requirements. Further, the member company must separately report the number of Specialty Vehicle exposures since this exception does not reduce the member company's obligation to NJAIRE Administrative Expense apportionment. The member company must also continue to comply with all claims reporting requirements for Specialty Vehicles. When each accident year is converted from exposure to claim based calculations, the member company will be included in Annual Cash Settlement transactions based on its reported claim statistics.

Amendments have been made to the current version of the NJAIRE Procedure Manual, available for review or printing on our web site www.njaire.org.

Please contact me if you have questions concerning this new process, reporting requirements or if your company would like to submit a request for the Specialty Vehicle Exception.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. McAuley', written in a cursive style.

Michael McAuley
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