

REPORT ON EXAMINATION AS TO THE CONDITION OF

NEW JERSEY RE-INSURANCE COMPANY

TOWNSHIP OF EWING, NEW JERSEY 08628

AS OF DECEMBER 31, 2014

NAIC GROUP CODE 0708

NAIC COMPANY CODE 35432

Filed

January 25, 2016

**Commissioner
Department of Banking &
Insurance**

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September 2, 2015

Honorable Richard J. Badolato
Acting Commissioner of Banking and Insurance
New Jersey Department of Banking and Insurance
20 West State Street
CN 325
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Commissioner:

In compliance with your instructions and pursuant to Insurance Laws and Rules of the State of New Jersey, a comprehensive risk focused examination has been made of the books and records and financial condition of

New Jersey Re-Insurance Company
301 Sullivan Way
West Trenton, New Jersey 08628
NAIC Group Code 0708 NAIC Company Code 35432

Hereinafter referred to as the "Company".

SCOPE OF THE EXAMINATION

The New Jersey Department of Banking and Insurance, hereinafter referred to as the “NJDOBI” or “We”, have performed a full scope risk focused examination of the Company. The examination covers the period of January 1, 2010, through December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The examination was conducted at the Company’s main administrative office located at 301 Sullivan Way, West Trenton, New Jersey 08628.

The Company was last examined as of December 31, 2009. The current examination was conducted concurrent with a financial condition examination of the Company's parent, New Jersey Manufacturers Insurance Company (NJM or Parent) and its affiliates, New Jersey Casualty Insurance Company (NJC) and New Jersey Indemnity Insurance Company (NJI).

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identification and assessment of inherent risks within the company and evaluation of system controls and procedures used to mitigate those risks. An examination also includes assessment of inherent risks within the Company and evaluation of systems controls and procedures used to mitigate those risks. An examination also includes assessment of the principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation, management’s compliance with statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. The general procedure of the examination followed the rules established by the Financial Condition, Examination and Reporting Committee of the NAIC, and included such other examination procedures as were deemed necessary.

During the course of this examination, consideration was given to work performed by both the Company’s Internal Audit Department as regards to its oversight of compliance with the Annual Financial Reporting Model Regulation (the Model Audit Rule), risk analysis, documentation, test work, remediation efforts over weaknesses identified and by the Company’s external accounting firm. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. However, the examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements. In addition, a review was made of the following matters to develop and understanding of the Company’s operations and its conformity with the insurance laws of the various jurisdictions in which it operates:

History and Kind of Business
Territory and Plan of Operation
Management and Control
Corporate Records
Policy on Conflict of Interest
Continuity of Operations
Intercompany Agreements
Fidelity Bond and Other Insurance Coverages
Reinsurance
Accounts and Records
Parent, Subsidiaries and Affiliates

COMPLIANCE WITH PRIOR EXAM FINDINGS

There were no prior examination findings.

HISTORY AND KIND OF BUSINESS

The Company was formed for the purpose of transacting the business of reinsurance and such other insurance business as the laws of New Jersey may authorize, pursuant to the provisions of Title 17 (N.J.S.A. 17:17-1 to 17:17-33) of the New Jersey Revised Statutes. The Company's Certificate of Incorporation was examined and approved by the Attorney General of the State of New Jersey on November 21, 1977, recorded in the office of the Clerk of Mercer County on November 22, 1977 and filed with the Department of Insurance on December 2, 1977.

On December 15, 1992, New Jersey Manufacturers Insurance Company transferred \$50,000,000 of securities to the Company in the form of a capital contribution. On May 10, 1994 the Company amended its Certificate of Incorporation to provide for capital stock of \$6,000,000 divided into 500,000 shares with a par value of \$12 each. From this, 499,977 shares were issued and outstanding to the New Jersey Manufacturers Insurance Company, with the remaining 23 shares issued one share each to 23 Directors of the Company.

The Company is a domestic property and casualty insurance company and was issued a Certificate of Authority on December 21, 1977 by the New Jersey Commissioner of Insurance. It is authorized to transact the business of making insurance (reinsurance) against the various risks and perils named in Title 17, Chapter 17 of the "Revised Statutes "a", "b", "e", "f", "g", "i", "j", "k", "l", "m", "n" and specifically, as provided for in paragraph "o", against all physical loss to buildings and structures, including consequential loss, and loss or damage to property of others except as provided for in paragraphs "a" to "n" inclusive of Section 17:17-1 of the Revised Statutes of New Jersey, being the kind of insurance (reinsurance) permitted to be written by the Company's Certificate of Incorporation.

The Company is a wholly owned subsidiary of the New Jersey Manufacturers Insurance Company and was formed with the specific intent of complementing the parent company's insurance operations. During the period under review reinsurance coverage has been provided primarily to its parent involving property and casualty risks with a concentration on automobile and workers' compensation risks.

The principal office of the Company is located on Sullivan Way, West Trenton, New Jersey and its mailing address is 301 Sullivan Way, West Trenton, New Jersey 08628. The agent therein and in charge thereof, upon whom process may be served against the company is Robert H. Zetterstrom, Executive Vice President and General Counsel of the Company.

TERRITORY AND PLAN OF OPERATIONS

At December 31, 2014 the Company was licensed to transact the business of insurance and reinsurance in the States of Delaware, New Jersey, Pennsylvania, Ohio and Washington. Initially, the Company's underwriting was voluntarily limited to reinsurance and then extended to include the writing of direct workers' compensation insurance in 1984 and direct automobile insurance in 1991. The Company's direct insurance business is comprised of automobile, workers' compensation, umbrella liability, homeowners, surety and residence coverage and flood policies written through the Federal Emergency Management Agency's "Write Your Own" program.

The Company has no employees of its own and its operation and work are shared with those of its parent company. The Company annually reimburses New Jersey Manufacturers Insurance Company for the allocated value of salaries, benefits and payroll taxes attributable to the work performed on behalf of NJRE.

GROWTH OF THE COMPANY

The following exhibit shows the results of the Company's operation during the current five-year examination period:

<u>Year</u>	<u>Gross Premiums Written</u>	<u>Premiums Earned</u>	<u>Net Underwriting Net Gain/(Loss)</u>	<u>Net Investment Net Gain/(Loss)</u>	<u>Admitted Assets</u>	<u>Surplus As Regards Policyholders</u>
2010	\$61,811,398	\$ 53,373,998	\$ 9,565,721	\$ 19,785,756	\$ 539,464,250	\$ 298,744,813
2011	56,736,948	46,952,498	(3,492,001)	15,659,928	550,316,099	313,003,762
2012	52,007,750	43,394,149	(3,986,619)	14,543,268	546,802,898	330,384,086
2013	48,740,806	38,618,468	13,851,577	16,616,446	553,586,858	362,278,852
2014	44,656,310	34,056,484	15,336,687	12,981,393	556,834,729	393,126,905

CORPORATE RECORDS

A review of the minutes of all meetings of the Board and various Committees of the Board held during the examination period, indicated they were held and conducted in accordance with Company by-laws.

The Company's Secretary is required to maintain records of all meetings of the Stockholders, the Board of Directors and of the various Board committees. The Secretary is responsible for the giving and serving of all notices of meetings and has custody of the corporate seal of the Company, which the Secretary is required to affix to any proper instrument on behalf of the Company. The Secretary also has charge of the stock certificate books, transfer books, stock ledgers, and such other books and papers (other than books of financial accounts) as the Board of

Directors may prescribe and shall perform all other acts normally and properly incident to the office of the Secretary.

MANAGEMENT AND CONTROL

The business and property of the New Jersey Re-Insurance Company is managed and controlled by the Board of Directors, except as otherwise provided by the by-laws.

At December 31, 2014 the Company had 23 directors of whom only 4 are officers of the Company as denoted by *. Hence, the Company was in compliance with N.J.S.A. 17:27A-4d (3). Upon review of all meetings held it was determined by the examination that the meetings were well attended. The members of the Board of Directors elected and serving at December 31, 2014 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Vincent C. Bonica	William Wrigley Jr. Company - Worldwide Gum Base Operations, Retired Vice President L.A. Dreyfus Company, Retired President, CEO & Chairman of the Board
Bernard M. Flynn	NJM Insurance Group President & CEO
Caren S. Franzini	Franzini Consulting, LLC, President
James J. Gallagher	Campbell's Express, Chairman & CEO
Glenn A. Gerber	Gerber Metal Supply Company, Chairman & CEO
Edward J. Graham	South Jersey Industries, Inc., Chairman & CEO
Vaughan S. Grundy, III	IEW Construction Group, President & CEO
Steven B. Kalafer	Flemington Car & Truck Country, Chairman
Douglas R. Kuiken	Kuiken Brothers, Company, Inc., President
Clifford F. Lindholm, III	Falstrom Company, President & CEO
Mitchell A. Livingston	NJM Insurance Group, SVP & Corporate Counsel
Thomas S. Marotta	Marotta Controls, Inc., Chairman & CEO
Alexander M. McWilliams, II	Forge View Partners, Inc. President
Brian F. Neuwirth	Unex Manufacturing, Inc. President
Charles A. Prall*	NJM Insurance Group, Senior Vice President & CFO
Celstina S. Quintana	McDonald's Restaurants Owner/Operator
Lisa Hirsh Schlossman	Accurate Box Co., Inc., President & CEO
J. Michael Schweder	AT&T Mid-Atlantic States, President
Robert J. Staudinger	National Manufacturing Co., Inc., President & CEO
Edward A. Stern	Kreisler Manufacturing Corporation, Co-President & Chief Corporate Officer
Anthony M. Stonis	Cardolite Corporation, President
Matthew L. Wright	Apgar Bros., Inc., Retired President, Piper Holdings, LLC, President, Chairman of Boards of NJM Directors
Robert H. Zetterstrom	NJM Insurance Group, Executive Vice President & General Counsel

The Company had various committees of the Board of Directors that matched that of its Parent and meet concurrently, including an Audit Committee (at the Parent's level) of which all 9

members were outside directors and therefore, in compliance with N.J.S.A. 17:27-4d (4). Members of the various Committees as of December 31, 2014 were as follows:

Executive Committee

Vincent C. Bonica
James J. Gallagher
Glenn A. Gerber
Edward J. Graham
Vaughan S. Grundy, III
Steven B. Kalafer
Douglas R. Kuiken
Clifford F. Lindholm, III
Alexander M. McWilliams, II
Brian F. Neuwirth
Lisa Hirsh Schlossman
J. Michael Schweder
Robert J. Staudinger
Edward A. Stern
Matthew L. Wright (Chairman)

Investment Committee

Caren S. Franzini
James J. Gallagher
Edward J. Graham
Vaughan S. Grundy, III
Douglas R. Kuiken
Clifford F. Lindholm, III (Chairman)
Thomas S. Marotta
Brian F. Neuwirth
Celestina S. Quintana
Robert J. Staudinger
Anthony M. Stonis
Matthew L. Wright

Nominating

Vincent C. Bonica
Douglas R. Kuiken (Chairman)
Alexander M. McWilliams, II
Anthony M. Stonis
Matthew L. Wright

Audit Committee

Vincent C. Bonica
Caren S. Franzini
Edward J. Graham
Steven B. Kalafer
Alexander M. McWilliams, II (Chairman)
Lisa Hirsh Schlossman
Robert J. Staudinger
Edward A. Stern

The Executive Officers serving and the positions they held at December 31, 2014 were as follows:

<u>Name</u>	<u>Office</u>
Bernard M. Flynn	President & CEO
Robert H. Zetterstrom	Executive Vice President & General Counsel
Mitchell A. Livingston	Senior Vice President & Corporate Counsel
Charles A. Prall	Senior Vice President & CFO
Thomas J. DeFalco	Vice President & Chief Actuary
Deborah A. Wean	Secretary
Anne Marie DeWan	Vice President & Treasurer

REINSURANCE

The Company had reinsurance agreements and treaties in force at December 31, 2014, providing excess, catastrophe and pro rata reinsurance for various lines of business written. The various reinsurance treaties and contracts in effect and the maximum limits of reinsurance are summarized below. Ceded coverages included:

Property Catastrophe Excess

	<u>Retention</u>	<u>Maximum Limits</u>	<u>Placement</u>
First Layer	\$300,000,000	\$300,000,000	58.340%
Second Layer	600,000,000	200,000,000	92.500
Third Layer	800,000,000	100,000,000	89.980

Workers' Compensation (Per Occurrence)

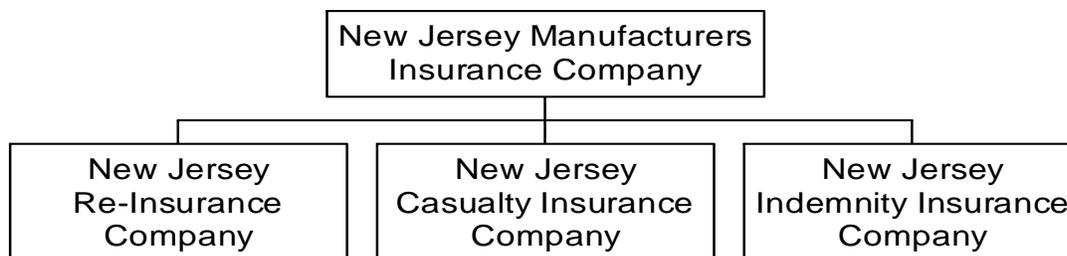
Second Layer	\$ 50,000,000	\$ 50,000,000	100%
Third Layer	100,000,000	100,000,000	100
Fourth Layer	200,000,000	200,000,000	50

The Company maintained separate reinsurance intermediary-broker agreements with Holborn Corporation and Thomas E. Sears, Inc. These agreements were noted to be in compliance with N.J.S.A. 17:22E-6 which requires a written contract for transactions between an insurer and a reinsurance intermediary-broker.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The New Jersey Re-Insurance Company is a member of an Insurance Holding Company System as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company's Parent files an annual insurance Holding Company Registration Statement on behalf of itself and its subsidiaries.

The Company and its affiliates, known as NJM Insurance Group, consist of the Parent, and three insurer subsidiaries as of December 31, 2014. The organizational chart for this group is as follows:



INTER-COMPANY AGREEMENTS

At December 31, 2014, the Company participated in inter-company agreements with its Parent, NJM, its insurance affiliates, NJC and NJI, and NJMB (the bank was still named on agreements as of examination date).

Concerning the insurance companies, the agreement specifies that each Company agrees to allocate the cost of certain salaries, employment benefits and overhead expenses and payments received for expenses which conforms with the methodology of the agreement. Allocations of salaries, payroll taxes and employee relations and welfare are based on annual time studies conducted or applicable operational statistics. The Company and each company agree to maintain books, accounts and records to all transactions in which costs and payments are allocated as stipulated in this agreement. The Company and its insurance affiliates do not have employees and thus NJM initially pays certain salary, employee benefits and other overhead costs that are charged back to each subsidiary as operating expenses. These allocated operating expenses are settled on a monthly basis by the Company with NJM.

Additionally, the Company participated in a tax allocation agreement with NJM, NJC, NJI, NJMB and its' subsidiary, NJM Investment Company, Inc. The Company and each Company agree to continue the election made in 1989 by NJM to allocate its consolidated tax liability with each subsidiary pursuant to the method prescribed in Regulation 1.1552-1(a)(2) as authorized by Code Section 1552 and Regulation 1.1552-1(c).

NJM will pay on behalf of all subsidiaries quarterly tax deposits based on estimates of the current year tax liability of each Company. The tax liability will be computed on a consolidated tax basis with the allocation to each Company proportionately based on the relationship each individual Company's individual tax bears to the total tax liability of each Company if filed on an individual basis.

The Company has entered into equalization agreements with its affiliates, NJC and NJI, to transfer assignments from the New Jersey Workers' Compensation Insurance Plan (WCIP) and New Jersey Personal Automobile Insurance Plan (PAIP) on behalf of the NJM Insurance Group. The equalization fee is intended to compensate the subsidiaries for assuming the residual market business for the Group, where warranted.

POLICY ON CONFLICTS OF INTEREST

The Company has an established policy on conflicts of interest, which is provided for and set forth in Section 5-3 of its by-laws.

Each member of the Board of Directors is required to make an annual disclosure of any material interests or affiliation on their part, which might conflict with their official duties. Each officer, as well as certain employees, is required to complete and file an annual questionnaire. The annual disclosures and questionnaires are submitted to and reviewed by the Internal Auditor in consultation with the office of the General Counsel. Upon completion of the review, the Internal Auditor reports the results of the inspection to the Board, and a motion is entered and recorded in the minutes of the Board of Directors concerning the report and findings. An examination and

review of the procedures followed by the Company indicated the principles and procedures were being met as provided for in the by-laws.

EMPLOYEES WELFARE AND PENSION PLANS

The New Jersey Re-Insurance Company has no staff of its own and shares in a common management with its parent company, New Jersey Manufacturers Insurance Company. On January 1, 2014, NJM Insurance Company closed its noncontributory defined benefit pension and employee savings plan to new employees. In place of these plans, the Parent sponsored a 401(K) Plan for employees hired on January 1, 2014 and thereafter.

The employee benefit plans and programs available to employees of the Parent are shown as follows:

- Retirement Plan – Available to employees hired on or before December 31, 2013
- Savings Fund Plan – Available to employees hired on or before December 31, 2013
- 401(K) – Available to employees hired on January 1, 2014 and thereafter
- Group Life Insurance Plan
- Disability Benefits Plan
- Healthcare Plan
- Dental Benefits Plan
- NJM Merit Scholarship Program
- Flexible Spending Plan

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The NJM Insurance Group, on behalf of the Company, maintains insurance coverages for the protection of its assets from losses arising out of property and casualty risks. The following listing shows the types and amounts of coverages that were in force at the examination date:

<u>Coverages</u>	<u>Limits</u>
Fidelity Bonds	\$ 2,500,000 w/ \$ 250,000 Retention
Directors & Officers Liability	10,000,000
Workers' Compensation	Statutory
Comprehensive Liability	2,000,000
Commercial Umbrella	15,000,000

The Company's insurance coverages were verified on a consolidated basis in conjunction with the other members of the Group. As of December 31, 2014 the Group had fidelity bond coverage of \$2,500,000 with retention of \$250,000.

POLICY FORMS AND UNDERWRITING PRACTICES

New Jersey Re-Insurance writings are limited to a few lines of insurance with the largest amount of its direct premium volume (99.3%) attributable to risks written within the state of New Jersey. The Company's total direct written premiums for 2014 included 39.2% for its automobile business and 10.7% for workers' compensation. The Parent Company, NJM, maintains an Underwriting Department at the home office.

The Company is a subscriber to the Insurance Services Office and avails itself to the organization's policy forms, rating classes and other rate related services.

At December 31, 2014, the largest net amount insured by the Company in any one risk (excluding workers' compensation) was \$ 2,040,000. The Company is in compliance with N.J.S.A. 17:18-9, which limits the exposure on a single risk to an amount not exceeding 10% of the Company's net assets.

ACCOUNTS AND RECORDS

The Treasurer is responsible for the collection of all items due to the Company and for the payment of all obligations when due, and for the maintenance of full and accurate accounts thereof and of the securities of the Company. Additionally, the Treasurer will have custody of all money and securities owned by the Company subject to the direction and approval of the Board of Directors.

The Company's general ledger, investment ledger, general journal (entries), cash receipts and disbursements books, are maintained in the home office. Extensive use is made of electronic data processing in providing the essential underlying accounting and record keeping data necessary to control the insurance operations and other areas including investments, claims and personnel.

The Company's general ledger runs on an Open Systems platform under Microsoft's Windows operating system using Oracle's Peoplesoft Financials Management product. Information processing is performed on systems which are maintained centrally by the company's Information Technology department and are located in a data center at the home office location. The data center contains an IBM mainframe (zSeries), a number of HP/Intel-based servers and EMC storage systems that are used for policy and claims administrative system processing. Cisco network equipment is used to create a private network for workstation and laptop connectivity to data center facilities from within the NJM office locations. Connections to the Internet, as well as all private network facilities, are built with redundancy and failover capabilities. Load balancing and clustering are used in the application servers to provide highly reliable systems. The data center, itself, has redundant power and HVAC to maintain system availability in the event of utility disruptions.

TREATMENT OF POLICYHOLDERS

The NJM's Insurance Group's complaint handling procedures, as well as its complaint log were reviewed during the examination. The Group does comply with N.J.S.A. 17:29B-4(10), which requires the Company to maintain a complaint handling procedure.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A Balance Sheet as of December 31, 2014

Exhibit B Summary of Operations for the Five-Year Period Ending
December 31, 2014

Exhibit C Capital and Surplus Account for the Five-Year Period Ended
December 31, 2014

NEW JERSEY RE-INSURANCE COMPANY
BALANCE SHEET AS OF DECEMBER 31, 2014

EXHIBIT A

	<u>Current Examination</u>	<u>Company 12-31-14</u>	<u>Examination Change</u>	<u>Note Number</u>
<u>Assets</u>				
Bonds	\$ 538,210,262	\$ 538,210,262	\$0	1
Stocks:				
Common	0	0	0	1
Cash and Short-Term Investments	6,242,952	6,242,952	0	1
Other Invested Assets	0	0	0	
Investment Income due and accrued	4,017,882	4,017,882	0	
Agents' Balances or Uncollected Premiums:				
Premiums and agents' balances in course of collection	723,710	723,710	0	
Premiums, agents' balances and installments booked but deferred and not yet due	5,396,198	5,396,198	0	
Accrued Retrospective Premiums	0	0	0	
Reinsurance Recoverable from reinsurers	44,312	44,312	0	
Funds Held by or Deposited with Reinsured Companies				
Net Deferred Taxes	422,040	422,040	0	
Aggregate Write-ins for Other Than Invested Assets	1,777,372	1,777,372	0	
Total Admitted Assets	\$ 556,834,729	\$ 556,834,729	\$0	
<u>Liabilities</u>				
Losses	\$ 118,803,355	\$ 118,803,355	\$0	2
Reinsurance Payable on Loss and LAE	(\$18,714)	(\$18,714)	0	2
Loss Adjustment Expenses	25,647,403	25,647,403	0	
Commissions Payable	1,380	1,380	0	
Other Expenses	406,600	406,600	0	
Taxes, Licenses and Fees	642,500	642,500	0	
Federal and Foreign Income Taxes	207,000	207,000	0	
Net Deferred Tax Liability				
Unearned Premiums	15,871,281	15,871,281	0	
Advanced Premiums	302,586	302,586	0	
Dividends Declared and Unpaid - Policyholders	2,149	2,149	0	
Ceded Reinsurance Premiums Payable	258,986	258,986	0	
Funds Held under Reinsurance Treaties	2,015	2,015	0	
Amounts Withheld or Retained by Company for Account of Others	62,707	62,707	0	
Remittances and Items Not Allocated	3,480	3,480	0	
Provision for Reinsurance	49,309	49,309	0	
Payable to Parent Subsidiaries & Affiliates	1,298,998	1,298,998	0	
Aggregate Write-ins for Liabilities	166,788	166,788	0	
Total Liabilities	\$ 163,707,824	\$ 163,707,824	\$0	
<u>Surplus and Other Funds</u>				
Common Capital Stock	\$ 6,000,000	\$ 6,000,000	0	3
Gross Paid-in and Contributed Surplus	52,500,000	52,500,000	0	3
Unassigned Funds (Surplus)	334,626,905	334,626,905	0	3
Surplus as Regards Policyholders	\$ 393,126,905	\$ 393,126,905	\$0	
Total Liabilities, Surplus and Other Funds	\$ 556,834,729	\$ 556,834,729	\$0	

NEW JERSEY RE-INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
FIVE YEAR PERIOD ENDING DECEMBER 31, 2014

<u>UNDERWRITING INCOME</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Premiums Earned	\$ 53,373,998	\$ 46,952,498	\$ 43,394,149	\$ 38,618,468	\$ 34,056,484
Deductions:					
Losses Incurred	\$23,723,658	\$32,915,551	\$30,074,837	\$13,671,401	\$5,826,999
Loss Expenses Incurred	10,365,914	8,656,974	10,059,983	4,620,830	5,434,980
Other Underwriting Expenses Incurred	9,718,704	8,852,654	7,226,822	6,465,969	7,457,818
Aggregate Write-ins for Underwriting Deductions	<u>0</u>	<u>19,320</u>	<u>19,127</u>	<u>8,691</u>	<u>0</u>
Total Deductions	<u>\$ 43,808,277</u>	<u>\$ 50,444,498</u>	<u>\$ 47,380,768</u>	<u>\$ 24,766,891</u>	<u>\$ 18,719,797</u>
Net Underwriting gain or (Loss)	<u>\$ 9,565,721</u>	<u>\$ (3,492,001)</u>	<u>\$ (3,986,619)</u>	<u>\$ 13,851,577</u>	<u>\$ 15,336,687</u>
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	\$ 16,657,365	\$ 15,840,045	\$ 15,542,285	\$ 15,097,773	\$ 14,957,510
Net Realized Capital Gains or (-) Losses	<u>3,128,391</u>	<u>(180,117)</u>	<u>(999,017)</u>	<u>1,518,672</u>	<u>(1,976,117)</u>
Net Investment Gain	<u>\$ 19,785,756</u>	<u>\$ 15,659,928</u>	<u>\$ 14,543,268</u>	<u>\$ 16,616,446</u>	<u>\$ 12,981,393</u>
<u>OTHER INCOME</u>					
Net Gain or Loss (-) From Agents' Balances Charged Off	\$ (116,684)	\$ (364,647)	\$ (10,089)	\$ (86,210)	\$ (37,676)
Aggregate Write-ins for Miscellaneous Income	<u>0</u>	<u>23,304</u>	<u>51,137</u>	<u>37,218</u>	<u>28,297</u>
Total Other Income	<u>\$ (116,684)</u>	<u>\$ (341,343)</u>	<u>\$ 41,048</u>	<u>\$ (48,991)</u>	<u>\$ (9,379)</u>
Net Income Before Dividends to Policyholders and Before Federal and Foreign Income Taxes	\$ 29,234,793	\$ 11,826,584	\$ 10,597,697	\$ 30,419,031	\$ 28,308,701
Dividends To Policyholders	<u>476,266</u>	<u>343,997</u>	<u>217,848</u>	<u>(5,794)</u>	<u>(2,225)</u>
Net Income, After Dividends to Policyholder but Before Federal and Foreign Income Taxes	\$ 28,758,526	\$ 11,482,587	\$ 10,379,849	\$ 30,424,825	\$ 28,310,926
Federal and Foreign Income Taxes Incurred	<u>2,505,673</u>	<u>(2,701,554)</u>	<u>(1,606,532)</u>	<u>\$ 9,331,451</u>	<u>\$ 8,528,435</u>
Net Income	<u>\$ 26,252,853</u>	<u>\$ 14,184,141</u>	<u>\$ 11,986,381</u>	<u>\$ 21,093,374</u>	<u>\$ 19,782,491</u>

EXHIBIT C

NEW JERSEY RE-INSURANCE COMPANY
 CAPITAL AND SURPLUS ACCOUNT FOR
 THE FIVE YEAR PERIOD ENDING DECEMBER 31, 2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Income	\$ 26,252,853	\$ 14,184,141	\$ 11,986,381	\$ 21,093,374	\$ 19,782,491
<u>Other Surplus Gains or (Losses)</u>					
Net Unrealized Capital Gains or (-) Losses	\$ 556,992	\$ (1,680,562)	\$ (516,471)	\$ (2,682,646)	\$ -
Change in Net Deffered Income Tax	(1,980,329)	1,160,855	2,233,888	1,132,537	886,142
Change in Non Admitted Assets	61,528	623,179	(113,759)	(65,134)	90,904
Change in Provision for Reinsurance	(16,282)	(28,664)	(47,723)	(126,815)	175,175
Change in Foreign Exchange Adjustment					
Cummulative Effects of Changes in Acc. Prin.	0	0	0	0	0
Change in Excess of Statutory/Stmt. Reserves	0	0	0	0	0
Change in Surplus Notes	0	0	0	0	0
Capital Changes:					
Paid In	0	0	0	0	0
Surplus Adjustments:					
Paid In	0	0	0	0	0
Dividends to Stockholders - Cash	0	0	0	0	0
Aggregate Write-ins for Gains/Losses In Surplus	0	0	3,838,008	12,543,451	9,913,341
Total Other Surplus Gains or (-) Losses	\$ (1,378,091)	\$ 74,808	\$ 5,393,943	\$ 10,801,392	\$ 11,065,562
Change In Surplus as Regards Policyholders for the year	\$ 24,874,762	\$ 14,258,949	\$ 17,380,324	\$ 31,894,766	\$ 30,848,053
Surplus as Regards Policyholders December 31, Previous Year	\$ 273,870,051	\$ 298,744,813	\$ 313,003,762	\$ 330,384,086	\$ 362,278,852
Surplus as Regards Policyholders December 31, Current Year	\$ 298,744,813	\$ 313,003,762	\$ 330,384,086	\$ 362,278,852	\$ 393,126,905

NOTE 1: INVESTMENTS

At December 31, 2014 the Company reported assets for bonds of \$538,210,262 and cash and short term investments of \$6,242,952. The assets were accepted as stated.

Statutory Deposits

At December 31, 2014 the Company held two U.S. Treasury Bonds with a par value totaling \$500,000 with the Commissioner of Banking and Insurance of the State of New Jersey in trust for the benefit and security of the policyholders of the New Jersey Re-Insurance Company. The certificates were held at TD Bank as required by the State of New Jersey.

The Company held a U.S. Treasury Note of \$100,000 with the Commissioner of Insurance of the State of Delaware in trust for the benefit and security of the policyholders of the New Jersey Re-Insurance Company. The certificate was held at Wilmington Trust Company as required by the State of Delaware.

Additionally, the Company held two U.S. Treasury Notes totaling of \$110,000 with the Commissioner of Insurance of the State of Arizona in trust for the benefit and security of the policyholders of the Company. The certificate was held at Union Bank as required by the State of Arizona.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2014 the Company reported a net liability for Losses and Loss Adjustment Expenses of \$144,450,758.

Actuarial findings as reviewed within this examination report are the sole responsibility of the New Jersey Department of Banking and Insurance's Property and Casualty Actuarial Unit of the Office of Solvency Regulation. It was determined that the Company's gross and net of reinsurance loss and loss adjustment expense reserves were determined to be reasonable and the balance will be accepted as stated.

The liabilities consisted of Net Loss Reserves, as reported by the Company and as determined by this examination, totaled \$118,803,355. Net Loss Adjustment Expense Reserves, as reported by the Company and as determined by this examination, totaled \$25,647,403.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

Common Capital Stock

The capital stock of the Company consists of \$6,000,000 divided into 500,000 authorized and outstanding shares of common stock having a par value per share of \$12 each.

Gross Paid In and Contributed Surplus

At December 31, 2014 the Company reported \$52,500,000 in paid in and contributed surplus.

Unassigned Funds (Surplus)

The Company reported an amount for unassigned funds at December 31, 2014 of \$334,626,905. This balance has been accepted by this examination as stated.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

SUBSEQUENT EVENTS

On January 1, 2015, NJM deployed a new Personal Lines Policy Administration solution along with a new refined pricing plan for New Jersey new business personal auto policies. Beginning June 1, 2015, existing New Jersey personal auto policies from both NJM and NJRE were converted into the new Personal Lines Policy Administration solution utilizing the new refined pricing plan.

CONCLUSION

A regular statutory condition examination was conducted by the undersigned with the assistance of contract examiners of INS Consultants, Inc.

The examination and audit was conducted at the Company's office in Ewing, New Jersey. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

/S/

Hails Taylor, CFE
Examiner-in-Charge
INS Consultants Inc.
Representing the New Jersey Department of
Banking and Insurance

Under the Supervision of

/S/

Robert Pietras, CFE
CFE Reviewer
The New Jersey Department of Banking and
Insurance

NEW JERSEY RE-INSURANCE COMPANY

I, Hails Taylor, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2014 to the best of my information, knowledge and belief.

Respectfully Submitted,

_____/S/
Hails Taylor
Examiner-In-Charge
INS Consultants Inc.

_____/S/
Robert Pietras, CFE
CFE Reviewer
The New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 7th day of January, 2016.

_____/S/
Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July, 2020