

REPORT ON EXAMINATION AS TO THE CONDITION OF

NEW JERSEY RE-INSURANCE COMPANY

TOWNSHIP OF EWING, NEW JERSEY 08628

AS OF DECEMBER 31, 2019

NAIC GROUP CODE 0708

NAIC COMPANY CODE 35432

FILED

JUNE 16, 2021

COMMISSIONER

DEPARTMENT

OF

BANKING AND INSURANCE

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PHIL MURPHY
Governor

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MARLENE CARIDE
Commissioner

October 30, 2020

Honorable Marlene Caride
Commissioner of Banking and Insurance
New Jersey Department of Banking and Insurance
20 West State Street
Trenton, NJ 08625-0325

Commissioner:

Pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the conditions and affairs of the assets and liabilities, method of conducting business and other affairs of the:

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

a domestic property and casualty insurer authorized to transact business in the State of New Jersey. Hereinafter, New Jersey Re-Insurance Company, will be 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, 2015, through December 31, 2019, 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 remotely.

The Company was last examined as of December 31, 2014. The current examination was conducted concurrent with a financial condition examination of the Company's affiliates, New Jersey Manufacturers Insurance Company (NJM), New Jersey Indemnity Insurance Company (NJI) and New Jersey Casualty Insurance Company (NJC).

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 procedures of the examination followed the rules established by the Financial Condition (E) Committee, Examination Oversight Task Force 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 the Enterprise Risk and Controls Department regarding the Company's compliance with the Annual Financial Reporting Model Regulation (the Model Audit Rule), Internal Audit Department, including risk analysis, documentation, test work, and remediation efforts over weaknesses identified, as well as work performed by the Company's Internal Audit Department and 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:

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.

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 New Jersey Revised Statutes, being the kind of insurance (reinsurance) permitted to be written by the Company's Certificate of Incorporation.

The capital stock of the Company is six million dollars (\$6,000,000) divided into five hundred thousand (500,000) shares having a par value of ten dollars (\$12) each.

The Company is a wholly-owned subsidiary of NJM and a member of the NJM Insurance Group. NJM is the owner of 499,984 shares of the 500,000 issued and outstanding shares of \$12 par value capital stock of the Company. The remaining shares are issued and held one each by the Directors of the Company.

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.

TERRITORY AND PLAN OF OPERATIONS

At December 31, 2019, the Company was licensed or qualified to transact the business of insurance in the States of Alaska, Arizona, Connecticut, Delaware, Florida, Georgia, Illinois, Iowa, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, and Wisconsin. During the five-year period under review, the majority of the total premium writings were on risks located in New Jersey. In 2019 New Jersey premium comprised 92.6% of direct written premium. The Company writes personal and commercial lines property-casualty coverage; primarily workers' compensation coverage.

The NJM Insurance Group (collectively the Company, NJM, NJRE, and NJC) works to operate for the exclusive service and benefit of its policyholders. While organized as stock insurers, the NJM Insurance Group's operations resemble that of a mutual insurer, in which underwriting profits and a portion of investment income are returned to the policyholders in the form of dividends, measured across all lines and in the aggregate. These annual dividend payments have continued uninterrupted since 1918.

Product development initiatives of NJM Insurance Group continue rollout of product and geographical expansion opportunities for personal and commercial lines. NJM Insurance Group current focus on personal lines in Western Pennsylvania, Connecticut, Ohio, and Maryland.

NJM Insurance Group offers personal property and commercial lines coverage including, personal passenger automobile, homeowners, workers' compensation and commercial automobile. NJM Insurance Group traditionally writes business on a direct basis. Historically, the NJM Insurance Group did not have agency relationships; though it implemented an agency model for distribution of its Commercial Auto, Workers' Compensation and Commercial General Liability products beginning in July 2020. The Company has been developing a process for vetting potential agents during the contracting period and to monitor agent performance through Business Representatives and reporting to the Executive Leadership Team.

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</u> | <u>Admitted Assets</u> | <u>Surplus As Regards Policyholders</u> |
|-------------|-------------------------------|------------------------|---|--------------------------------|------------------------|---|
| 2019 | \$ 3,399,324 | \$ 3,387,987 | \$ 10,814,028 | \$ 17,074,286 | \$ 548,562,755 | \$ 464,397,279 |
| 2018 | 3,610,983 | 6,229,486 | (3,345,735) | 15,709,734 | 550,284,353 | 442,189,055 |
| 2017 | 17,499,980 | 14,584,709 | 9,308,345 | 14,590,441 | 546,408,287 | 432,112,677 |
| 2016 | 25,382,155 | 17,221,838 | (705,773) | 13,325,414 | 548,560,259 | 412,761,987 |
| 2015 | 31,230,945 | 28,239,096 | (6,004,559) | 14,064,793 | 549,805,445 | 400,556,988 |

CORPORATE RECORDS

A review of the minutes of meetings of the Board held during the examination period, indicated they were held and conducted in accordance with Company by-laws. The primary governing body is the Board of Directors of NJM.

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 she 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 Company is managed and controlled by the Board of Directors, except as otherwise provided by the by-laws.

At December 31, 2019 the Company had 16 directors of whom only two 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, 2019 were as follows:

| <u>Name</u> | <u>Principal Occupation</u> |
|---------------------------|--|
| Edward J. Graham | South Jersey Industries, Inc., Retired Chairman & CEO |
| Vaughan S. Grundy, III | IEW Construction Group, President |
| 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, President & CEO |
| Tracy A. McManimon* | NJM Insurance Group, Sr. Vice President & Chief Underwriting Officer |
| Brian F. Neuwirth | Unex Manufacturing, Inc. President |
| Celestina S. Quintana | McDonald's Restaurants Owner/Operator |
| Lisa Hirsh-Schlossman | Accurate Box Co., Inc., President & CEO |
| J. Michael Schweder | AT&T Mid-Atlantic States, Retired President |
| Robert J. Staudinger | National Manufacturing Co., Inc., President & CEO |
| Edward A. Stern | Tazo Works, LLC, President & CEO |
| Joan E. Wainwright | TE Connectivity, President, Distribution & Customer Experience |
| Thomas H. Welch | Grange Mutual Casualty Company, Retired President |
| Matthew L. Wright | Apgar Bros., Inc., Retired President |

Subsequent the examination date, December 31, 2019, Steven Kalafer, retired from the Board of Directors. Joshua T. Kalafer was appointed as a Director on the Boards of the companies comprising the NJM Insurance Group as of July 31, 2020.

The Company had various committees of the Board of Directors including an Audit Committee of which all nine members were outside Directors. Therefore, the Company was in compliance with N.J.S.A. 17:27-4d (4). Members of the various Committees as of December 31, 2019 were as follows:

| <u>Executive</u> | <u>Investment</u> |
|------------------------------|--------------------------------------|
| Edward J. Graham | Edward J. Graham |
| Steven B. Kalafer | Vaughan S. Grundy, III |
| Mitchell A. Livingston | Lisa Hirsh-Schlossman |
| Brian F. Neuwirth (Chairman) | Clifford F. Lindholm, III (Chairman) |
| J. Michael Schweder | Brian F. Neuwirth |
| Edward A. Stern | Celestina S. Quintana |
| Thomas H. Welch | Robert J. Staudinger |
| Matthew L. Wright | Edward A. Stern |
| | Matthew L. Wright |

Nominating & Corporate Governance
Edward J. Graham

Compensation & Benefits
Edward J. Graham (Chairman)

Steven B. Kalafer
Douglas R. Kuiken
Brian F. Neuwirth
Edward A. Stern
Matthew L. Wright (Chairman)

Douglas R. Kuiken
Brian F. Neuwirth
J. Michael Schweder
Thomas H. Welch
Matthew L. Wright

Audit

Edward J. Graham
Vaughn S. Grundy, III
Lisa Hirsh-Schlossman
Clifford F. Lindholm, III
J. Michael Schweder
Robert J. Staudinger
Edward A. Stern (Chairman)
Joan E. Wainwright
Thomas H. Welch

Trust

Edward J. Stern
Steven B. Kalafer
Douglas R. Kuiken
Clifford F. Lindholm, III
Mitchell A. Livingston
Tracy A. McManimon
Brian F. Neuwirth (Chairman)
Edward A. Stern
Matthew L. Wright

The Executive Officers, which includes the Executive Leadership Team; denoted by *, and those required by the By-Laws (President, Treasurer, and Secretary), serving and the positions they held at December 31, 2019, were as follows:

| <u>Name</u> | <u>Office</u> |
|-------------------------|---|
| Mitchell A. Livingston* | President & CEO |
| Christopher F. Malone* | Senior Vice President, CFO, & Treasurer |
| Tracy A. McManimon* | Senior Vice President & CUO |
| Carol A. Voorhees* | Senior Vice President & CIO |
| Deborah A. Wean | Secretary |

REINSURANCE

The Company had reinsurance agreements and treaties in force at December 31, 2019, 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 of Loss

| | <u>Retention</u> | <u>Maximum Limits</u> | <u>Placement</u> |
|--------------|------------------|-----------------------|------------------|
| First Layer | \$ 300,000,000 | \$ 300,000,000 | 62.336000% |
| Second Layer | 600,000,000 | 200,000,000 | 87.566006% |
| Third Layer | 800,000,000 | 300,000,000 | 77.620000% |

Property Catastrophe Bond)

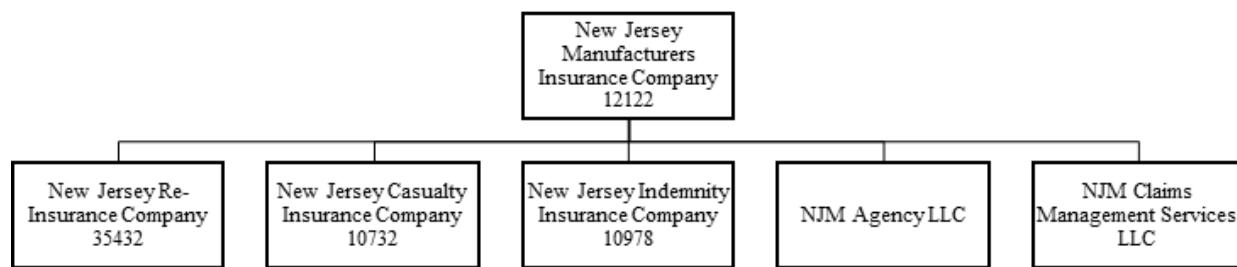
| | | | |
|-------------|----------------|----------------|------------|
| First Layer | \$ 300,000,000 | \$ 300,000,000 | 15.000000% |
|-------------|----------------|----------------|------------|

The Company maintained separate reinsurance intermediary-broker agreements with JLT Re (North America) Inc. & Guy Carpenter and Thomas E. Sears, Inc. These agreements were 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 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 files an annual insurance Holding Company Registration Statement; submitted by its parent, NJM, on behalf of itself and other affiliates.

NJM Insurance Group, consists of the Parent, NJM, the Company, NJC, NJI, and two non-insurer subsidiaries as of December 31, 2019. The organizational chart for this group is as follows:



INTER-COMPANY AGREEMENTS

At December 31, 2019, the Company participated in inter-company agreements with its affiliates, including NJM, NJC, and NJI. These agreements include:

Intercompany Cost Allocation Agreement

Effective May 5, 2016, the Company executed an Intercompany Cost Allocation Agreement with affiliates NJM, NJI, and NJC. Under the terms of the agreement, services provided by NJM employees on behalf of the Company, NJI, and NJC include each and every service associated with the underwriting of the several types of insurance policies that the Company, NJI, and NJC are authorized to write, and the processing of any claims covered by those policies. Services provided also include Information Technology, Accounts Receivable, Collections, Accounting, central files and other areas necessary to conduct this type of business. Employee time is allocated using customer service calls received, policies in force, premium written, claims reported or any other reasonable basis identifiable to the Company, NJI, or NJC.

Salary and employee benefit allocation is based on time charged to the Company, NJI, and NJC by NJM employees who perform services for the Company, NJI, or NJC. Whenever possible, overhead expenses will be paid directly by the parties of the agreement. In instances where this is not possible, NJM will charge the Company, NJI, and NJC allocated rent based on the percentage of space that each party occupies to conduct its business. Allocated rent includes building maintenance expenses, real estate taxes, depreciation, utilities, building security and cafeteria costs.

Intercompany Revolving Loan Agreement

Effective November 4, 2016, the Company executed a Revolving Loan with affiliates NJC and NJM. Under the terms of the agreement, the Company, NJC and NJM agreed to make short-term loans upon demand of either of the other two companies, from time to time, to accommodate fluctuations in the daily cash flows and promote the efficient management of investments between the companies. The borrowing company may not request more than one advance from lending companies until full repayment of any outstanding advance; additionally, at no time can the total amount of the loan outstanding exceed \$5,000,000.

On February 13, 2019, the Department, through a Form D filing, allowed the companies to revise the agreement to reflect a new interest rate.

The borrowing company must repay the advance, in full, no later than fifteen business days from the date the advance was issued. The borrowing company shall pay accrued interest for each advance upon full repayment of the loan. The rate of interest applicable to each advance shall be equal to the federal rates for a Federal Home Loan Bank of New York REPO Advance applicable the date the advance is made. There were no borrowings during 2019 and 2018, and no outstanding balances under the agreement as of December 31, 2019.

Intercompany Tax Sharing Agreement

Effective September 7, 1999, the Company executed a Tax Sharing agreement with the insurance affiliates of the NJM Insurance Group. Under the terms of the agreement, the tax liability of the Company, NJC, NJI and NJM is computed on a consolidated tax basis. The consolidated tax liability is allocated to each party proportionately based on the relationship each party's individual tax bears to the total tax liability of all parties as if filed on an individual basis. NJM will pay any consolidated tax liability due. NJI, NJC, and the Company will reimburse their allocated tax liability to NJM within 90 days of payment of any consolidated tax liability or quarterly deposit by NJM.

POLICY ON CONFLICTS OF INTEREST

The Company has an established policy on conflicts of interest. Per this policy, all Officers, Managers, Attorney's and Physicians are required to execute a Conflict of Interest Questionnaire on an annual basis. Potential conflicts of interest or any questions concerning the policy are to be addressed by the Company's General Counsel.

EMPLOYEES WELFARE AND PENSION PLANS

The Company does not have employees. For the examination period, the Company participated in an Intercompany Cost Allocation Agreement with its parent, NJM. The Intercompany Cost Allocation Agreement establishes NJM as the service provider of the Company and provides for the allocation of defined benefit and defined contribution plans to the Company for the NJM employees performing the contracted services.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

NJM Insurance Group 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 Bond | \$3,300,000 w/ \$250,000 Retention |
| Directors & Officers Liability | 10,000,000 w/ 250,000 Retention |
| Commercial General Liability | 1,000,000 |
| Commercial Umbrella Liability | 15,000,000 |
| Commercial Property Policy: | |
| Blanket Personal Property | 225,000,000 w/ 50,000 Retention |
| Flood | 50,000,000 w/ 100,000 Retention |
| Earthquake | 50,000,000 w/ 100,000 Retention |
| Commercial Auto: | |
| Liability | 1,000,000 |
| PIP | 250,000 w/ 250,000 Retention |
| Med Commercial Auto | 50,000 |
| Med Personal Auto | 10,000 |
| Workers Compensation – Employer’s Liability | 1,000,000 |
| Business Travel Accident | 500,000 |
| Directors & Trustees; A&H | 10,000 Medical w/1,500,000 Max Limit |

The Company's insurance coverages were verified on a consolidated basis in conjunction with the other members of the NJM Insurance Group.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company's writings are restricted to a few lines of insurance with the largest amount of its direct premium volume (92.6%) attributable to risks written within the state of New Jersey. The Company's total direct written premiums for 2019 included 88.8% for its workers' compensation business. The Company maintains its 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. 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. Policy and Claims Management applications run in the same Microsoft Windows environment using Guidewire's InsuranceSuite product (PolicyCenter, BillingCenter, ClaimCenter). The Investment and Fund Management system, iWorks, is a purchased software from Sungard.

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 and in the Company's Cloud environments (Amazon WebServices and Microsoft Azure). The data center contains an IBM mainframe (zSeries), a number of HP/Intel-based servers and EMC storage systems that are used for the majority of business system processing. The Cloud environment contains Windows servers and a portion of NJM's administrative systems. The Company is in the beginning stages of a multi-year effort to move their business solutions to the Cloud. 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. Cloud facilities are used in a similar fashion to create highly reliable solutions.

TREATMENT OF POLICYHOLDERS

NJM Insurance Group's complaint handling procedures as well as its complaint log were reviewed during the examination. The Group complies 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, 2019

Exhibit B Summary of Operations for the
Five-Year Period Ending December 31, 2019

Exhibit C Capital and Surplus Account for the
Five-Year Period Ended December 31, 2019

New Jersey Re-Insurance Company
Balance Sheet
As of December 31, 2019

| | 2019 | Exam Totals | Exam Changes | Note |
|--|----------------------|----------------------|-----------------|------|
| ASSETS | | | | |
| Bonds | \$533,050,545 | \$533,050,545 | \$0 | 1 |
| Cash, Cash Equivalents and Short-Term Investments | 8,228,612 | 8,228,612 | 0 | 1 |
| Subtotals, cash and invested assets | \$541,279,157 | \$541,279,157 | 0 | |
| Investment income due and accrued | 4,571,688 | 4,571,688 | 0 | |
| Premiums and considerations: | | | | |
| Uncollected premiums and agents' balances in the course of collection | 75,239 | 75,239 | 0 | |
| Deferred premiums, agents' balances and installments booked but deferred and not yet due | 2,115,780 | 2,115,780 | 0 | |
| Reinsurance: | | | | |
| Amounts recoverable from reinsurers | 13,088 | 13,088 | 0 | |
| Net deferred tax asset | 478,994 | 478,994 | 0 | |
| Aggregate write-ins for other than invested assets | 28,809 | 28,809 | 0 | |
| Total Admitted Assets | \$548,562,755 | \$548,562,755 | 0 | |
| LIABILITIES, SURPLUS AND OTHER FUNDS | | | | |
| Losses | \$70,083,165 | \$70,083,165 | 0 | 2 |
| Reinsurance payable on paid losses and loss adjustment expenses | -22 | -22 | 0 | |
| Loss adjustment expenses | 10,253,707 | 10,253,707 | 0 | 2 |
| Other expenses | 111,800 | 111,800 | 0 | |
| Taxes, licenses and fees | 51,600 | 51,600 | 0 | |
| Current federal and foreign income taxes realized capital gains (losses) | 627,000 | 627,000 | 0 | |
| Unearned premiums | 2,281,469 | 2,281,469 | 0 | |
| Advance premium | 2,966 | 2,966 | 0 | |
| Ceded reinsurance premiums payable | 17 | 17 | 0 | |
| Amounts withheld or retained by company for account of others | -9,354 | -9,354 | 0 | |
| Remittances and items not allocated | 13,771 | 13,771 | 0 | |
| Provision for reinsurance | 32 | 32 | 0 | |
| Payable to parent, subsidiaries and affiliates | 747,791 | 747,791 | 0 | |
| Aggregate write-ins for liabilities | 1,535 | 1,535 | 0 | |
| Total Liabilities | \$84,165,477 | \$84,165,477 | 0 | |
| 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) | 405,897,279 | 405,897,279 | 0 | 3 |
| Surplus as regards policyholders | \$464,397,279 | \$464,397,279 | 0 | |
| Total Liabilities, Surplus, and Other Funds | \$548,562,755 | \$548,562,755 | 0 | |

New Jersey Re-Insurance Company
Summary of Operations for the
Five-Year Period Ending December 31, 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|------------|-------------|-------------|
| UNDERWRITING INCOME | | | | | |
| Premiums earned | 3,387,987 | 6,229,486 | 14,584,709 | 17,221,838 | 28,239,096 |
| DEDUCTIONS: | | | | | |
| Losses incurred | (4,380,528) | 6,580,632 | 2,066,883 | 8,337,004 | 21,569,914 |
| Loss adjustment expenses incurred | (3,852,695) | 1,609,436 | (599,445) | 3,335,702 | 5,276,771 |
| Other underwriting expenses incurred | 807,182 | 1,385,153 | 3,808,927 | 6,254,905 | 7,396,971 |
| Total underwriting deductions | (7,426,041) | 9,575,221 | 5,276,364 | 17,927,611 | 34,243,656 |
| Net underwriting gain (loss) | 10,814,028 | (3,345,735) | 9,308,345 | (705,773) | (6,004,559) |
| INVESTMENT INCOME | | | | | |
| Net investment income earned | 16,999,012 | 16,072,061 | 15,278,870 | 14,885,645 | 14,791,942 |
| Net realized capital gains (losses) less capital gains tax | 75,274 | (362,326) | (688,429) | (1,560,231) | (727,149) |
| Net investment gain (loss) | 17,074,286 | 15,709,734 | 14,590,441 | 13,325,414 | 14,064,793 |
| OTHER INCOME | | | | | |
| Net gain (loss) from agents' or premium balances charged off | 3,084 | (624) | (59,451) | (32,367) | (54,524) |
| Finance and service charges not included in premiums | 1,440 | - | - | - | - |
| Aggregate write-ins for miscellaneous income | 871 | (1,363) | 16,178 | 47,761 | 28,382 |
| Total other income | 5,395 | (1,988) | (43,273) | 15,394 | (26,142) |
| Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | 27,893,709 | 12,362,011 | 23,855,513 | 12,635,035 | 8,034,092 |
| Dividends to policyholders | - | (234) | (61) | - | (2,149) |
| Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes | 27,893,709 | 12,362,245 | 23,855,574 | 12,635,035 | 8,036,241 |
| Federal and foreign income taxes incurred | 5,488,853 | 2,462,969 | 7,701,457 | 3,621,412 | 1,800,285 |
| Net income | 22,404,856 | 9,899,276 | 16,154,117 | 9,013,623 | 6,235,956 |

**New Jersey Re-Insurance Company
Capital and Surplus Account for the
Five-Year Period Ending December 31, 2019**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|
| Net income | 22,404,856 | 9,899,276 | 16,154,117 | 9,013,623 | 6,235,956 |
| Other Surplus Gains or (Losses) | - | - | - | - | - |
| Change in net unrealized capital gains or (losses) less capital gains tax of \$0 | - | - | - | - | - |
| Change in net unrealized foreign exchange capital gain (loss) | - | - | - | - | - |
| Change in net deferred income tax | (243,717) | 183,337 | (322,068) | 575,767 | 157,448 |
| Change in nonadmitted assets | 47,116 | (12,434) | 15,875 | 52,984 | 86,122 |
| Change in provision for reinsurance | (32) | 5,166 | 17,019 | (10,250) | 37,374 |
| Change in surplus notes | - | - | - | - | - |
| Surplus (contributed to) withdrawn from protected cells | - | - | - | - | - |
| Cumulative effect of changes in accounting principles | - | - | - | 512,832 | - |
| Capital changes: | | | | | |
| Paid in | - | - | - | - | - |
| Surplus adjustments: | | | | | |
| Paid in | - | - | - | - | - |
| Dividends to stockholders | - | - | - | - | - |
| Change in treasury stock | - | - | - | - | - |
| Aggregate write-ins for gains and losses in surplus | - | 1,032 | 3,485,747 | 2,060,042 | 913,183 |
| Change in surplus as regards policyholders for the year | 22,208,224 | 10,076,378 | 19,350,690 | 12,204,999 | 7,430,083 |
| Surplus as regards policyholders, December 31 prior year | 442,189,055 | 432,112,677 | 412,761,987 | 400,556,988 | 393,126,905 |
| Surplus as regards policyholders, December 31 current year | 464,397,279 | 442,189,055 | 432,112,677 | 412,761,987 | 400,556,988 |

NOTES TO THE FINANCIAL STATEMENT

NOTE 1: INVESTMENTS

Statutory Deposits

At December 31, 2019 the Company held a U.S. Treasury Note with a par value of \$149,013 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 Company. The certificate was held at TD Bank as required by the State of New Jersey. Additionally, the Company held a U.S. Treasury Bond of \$100,816 with the Commissioner of Insurance of the State of Delaware in trust for the benefit and security of the policyholders of the Company.

NOTE 2: LOSS AND LOSS ADJUSTMENT EXPENSES

At December 31, 2019 the Company reported a net liability for Losses and Loss Adjustment Expenses of \$80,336,872.

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. The NJDOBI engaged Actuarial Specialists from the firm Baker Tilly US LLP to perform the review of the Company's loss and loss adjustment expense reserves as of December 31, 2019. It was determined that the Company's gross and net of reinsurance loss and loss adjustment expense reserves were reasonable and sufficient.

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, 2019 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, 2019 of \$405,897,279. 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

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. During the fieldwork stage of this examination, we inquired of the Company as to the estimated impact the COVID-19 pandemic would have on the Company's operations and financial results. Further, we obtained and reviewed the Company's response to the NAIC template COVID-19 Questionnaire and identified specific inherent risks in order to understand and determine the impact of the COVID-19 pandemic on the NJM Insurance Group's business. It is possible that additional impacts to the NJM Insurance Group will occur that may impact the class and mix of business it underwrites. The NJDOBI will continue to monitor how the pandemic might impact the NJM Insurance Group.

CONCLUSION

The regular statutory condition examination was conducted by the undersigned with the assistance of contract examiners of Baker Tilly US LLP.

The examination and audit was conducted remotely. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,



Philip Talerico, CPA, CFE, MCM
Examiner-in-Charge
Baker Tilly US LLP
Representing the New Jersey Department of Banking
and Insurance

Under the Supervision of



Joseph Samsel, CFE, CICA
CFE Reviewer
New Jersey Department of Banking and Insurance

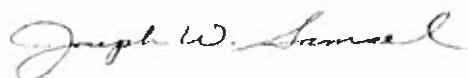
NEW JERSEY INDEMNITY INSURANCE COMPANY

The undersigned hereby certifies that an examination has been made of New Jersey Indemnity Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,



Philip Talerico, CPA, CFE, MCM
Examiner-In-Charge
Baker Tilly US LLP



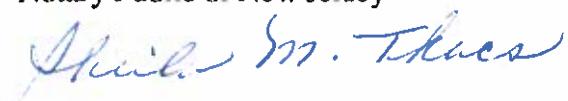
Joseph Samsel, CFE, CICA
CFE Reviewer
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this day of 2020.

31st December

Notary Public of New Jersey



My commission expires:

July 2025