

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ASSESSMENT)
FOR THE WORKERS' COMPENSATION) ORDER
SECURITY FUND)

This matter having been opened by the Commissioner of Banking and Insurance ("Commissioner") pursuant to the authority of N.J.S.A. 17:1-8.1, 17:1-15e, and 34:15-103 et seq., and N.J.A.C. 11:1-46, and all powers expressed or implied therein; and

IT APPEARING that N.J.S.A. 34:15-103 et seq., as amended by P.L. 2004, c. 179, established the Workers' Compensation Security Fund ("Security Fund" or "Fund") for the purpose of paying valid claims for compensation or death benefits pursuant to N.J.S.A. 34:15-1 et seq. or 33 U.S.C. § 901 et seq., and remaining unpaid, in whole or in part, by reason of the default, after March 26, 1935, of an insolvent carrier as defined in N.J.S.A. 34:15-104; and

IT FURTHER APPEARING that, to provide for initial funding of the Security Fund, pursuant to N.J.S.A. 34:15-107, every workers' compensation carrier (hereinafter "carrier") was required to pay to the Fund on September 1, 1935, an amount equal to one percent of its net written premiums as shown on its financial statements for the period ending June 30, 1935; and thereafter, an amount equal to one percent of its net written premiums for each six-month period as reported in its semi-annual financial statement; and

IT FURTHER APPEARING that pursuant to N.J.S.A. 34:15-108, if the aggregate amount of all such payments into the Security Fund, together with interest thereon, less all of its

expenditures and known liabilities, becomes equal to five percent of the loss reserves of all carriers for the payment of benefits under N.J.S.A. 34:15-1 et seq. or 33 U.S.C. § 901 et seq., no further contributions are required to be made; and

IT FURTHER APPEARING that N.J.S.A. 34:15-108, provides that whenever thereafter the amount of the Fund is below three percent of such loss reserves, contributions to the Fund may be resumed and continued until the balance in the Fund, over and above its known liabilities, shall be equal to not less than three percent nor more than five percent of such reserves; and

IT FURTHER APPEARING that implementing rules, N.J.A.C. 11:1-46, provide that the Commissioner shall periodically evaluate the fund to determine whether the amount of the Fund is below the three percent statutory minimum, and, if so, he or she shall by Order require that contributions to the Fund be made by each workers' compensation carrier, which shall continue until the Commissioner determines that the balance in the Fund, over and above its known liabilities, shall be equal to not less than three percent nor more than five percent of such afore-referenced reserves; and

IT FURTHER APPEARING that the Department intends to propose amendments to N.J.A.C. 11:1-46 to reflect the merger of the Stock Security Fund and the Mutual Security Fund pursuant to P.L. 2004, c. 179; and

IT FURTHER APPEARING that as of December 31, 2006, the amount of the loss reserves of carriers for the payment of benefits under the applicable federal and state statutes was approximately \$3,770,891,389.00, and the amount in the Security Fund was approximately

\$37,203,396.00, which is 0.98 percent of the loss reserves for all workers' compensation insurers; and

IT FURTHER APPEARING that, therefore, the amount currently in the Security Fund is below the three percent minimum required by N.J.S.A. 34:15-108 for the maintenance of the Fund; and

IT FURTHER APPEARING that additional payments from the Security Fund will be required to be made as a result of recent insolvencies of workers' compensation insurers; and

IT FURTHER APPEARING that, pursuant to N.J.S.A. 34:15-105, the Fund shall be administered by the Commissioner; and

IT FURTHER APPEARING that pursuant to Order A04-126, each stock worker's compensation insurer was required to pay no later than July 1, 2004, an amount equal to one percent of its net written premiums as reported in its annual statement as of December 31, 2003, and similar such assessments were imposed on all carriers payable July 1, 2005 and July 1, 2006, based on the net written premiums of each carrier as reported in its annual statement as of December 31, 2004 and December 31, 2005, respectively; and

IT FURTHER APPEARING that, on the basis of the foregoing, it is necessary and appropriate that, pursuant to N.J.S.A. 34:15-108, carriers be assessed in an amount equal to one percent of their net written premiums as reported on their annual statement as of December 31, 2006, to be paid no later than July 1, 2007; and that such assessment shall continue until such time as the Commissioner determines that the balance in the Fund is no less than the statutory minimum prescribed in N.J.S.A. 34:15-108.

THEREFORE IT IS on this 10th day of May, 2007

ORDERED that, until further Order of the Commissioner, every carrier authorized or admitted to transact workers' compensation insurance in this State pursuant to Title 17 of the Revised Statutes shall, no later than July 1 of each year, pay an amount equal to one percent of its net written premiums as reported in its annual statement as of December 31 of the year immediately preceding. Payments shall be made payable to "Treasurer, State of New Jersey" and remitted to:

New Jersey Department of Banking and Insurance
Attn.: Fiscal Office, Stock Security Fund
P.O. Box 325
Trenton, NJ 08625-0325

Failure to comply with the terms of this Order may result in the imposition of penalties as authorized by law.

/s/ Steven M. Goldman
Steven M. Goldman
Commissioner

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