

SANDY UPDATE

Epic Challenge, Historic Opportunity

NJM responds and helps New Jersey recover

Superstorm Sandy will long be remembered as one of our greatest challenges, but also as one of our greatest opportunities to help our policyholders and our State rebuild and recover from the devastation left behind.

On the Friday before Sandy made landfall, our Executive Leadership Team activated the Company's Catastrophe Response (CAT) Plan. This plan, which guided our operations before, during and after the storm, combined with our solid financial resources, and, most of all, a dedicated staff, had the Company well-prepared to respond to all covered claims submitted by our customers.

In terms of the overall impact, Sandy dwarfs 2011's Tropical Storm Irene. As Sandy made landfall in New Jersey on October 29, 2012, it was to become by-far our largest single claims event ever. Sandy generated 2.5 times the number of claims and four times the payout to policyholders than Irene, the second-largest claims event in our 100-year history. NJM responded to more than 54,000 auto and homeowners claims as a result of Sandy compared with 21,000 from Irene. An additional 4,600 flood claims were fielded, representing 45% of Flood policies that are written on behalf of the National Flood Insurance Program (NFIP) by NJM's

subsidiary, New Jersey Re-Insurance Company. While staff responded to those initial calls and served as liaison to the federal government, the NFIP adjusted all flood claims under their rules and regulations.

Our first 100 years of experience in serving the long-term interests of our policyholders established a solid foundation toward our ability to handle a storm of Sandy's magnitude, both from a service and financial perspective.

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NJM TURNS 100!

More About our Centennial Anniversary on Back

Meeting the service expectations of our policyholders



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Technology enhancements and a carefully monitored CAT Plan greatly streamlined the process by which Sandy claims could be reported, adjusted and settled.

As part of our CAT Plan, our normal homeowners claims staff of 39 representatives was supplemented by 647 additional people, including: cross-trained NJM employees from other departments; strategic partners; and NJM retirees. NJM adjusters served as advocates on behalf of claimants, keeping a close eye on service levels and helping to ensure information and settlement dollars got to those in need as quickly as possible.

Policyholders are the ultimate judges of our performance. As one customer wrote, “You should be commended for completing my claim in a fast, efficient and professional manner.” By November 19, 2012, more than 25% of Sandy claims were closed and about 75% were closed by the end of the year. To date, more than 95% of all claims are settled. By the time the process is complete, we expect payments to policyholders will exceed \$300 million.

“At times of unprecedented disaster, it is comforting to know that NJM service continues to be the best in the industry.”

S.K. from Ewing, New Jersey

An additional element to our CAT Plan is **Alternate Dispute Resolution**, or **ADR**. Immediately upon activation of the CAT Plan, ADR goes into effect, giving policyholders added recourse if they are not satisfied with the claim settlement. ADR provides a quick, less-costly alternative than litigation, and involves the independence of a third party. Of the 54,000 Sandy claims that were submitted to NJM, only six ended up in ADR, with the overwhelming majority having been settled through the normal process.



Financial Strength

NJM’s financial strength remains remarkable even after paying Sandy’s covered claims.

NJM’s balance sheet was built to withstand the impacts of a storm like Sandy, or one even larger. Given our attention to careful stewardship of policyholders’ resources, and a commitment to maintaining a strong surplus (funds kept in reserve to pay covered claims), we remain very well-positioned to handle events like this in the future.

“New Jersey” is in our name, and we plan to be a part of this State for many years to come, financially sound, and ready to serve our policyholders in their times of need.





NJM Continues its Commitment to Safety

One of NJM's objectives in 1913 was to be an advocate for safety, not only for our policyholders, but our State as well. A century later, NJM remains committed to that mission. As part of our Centennial celebration, NJM is launching several safety-related initiatives, starting with our DNT TXT N DRV campaign. We will back up your pledge to avoid texting while driving by making a \$1 donation (per pledge, up to \$50,000) to one of five New Jersey-based charities. Visit us at NJM.com/100 to learn more and take the pledge!

In continuance of our mission to promote safety in all aspects, and in honor of our 100th anniversary, we have more initiatives planned which are intended to benefit all of New Jersey. Specific details about the initiatives will be announced on June 7, 2013 — the very date that NJM was founded 100 years ago. As the leading carrier of Workers' Compensation insurance in the State, NJM offers an array of services for our insureds — from our in-house Engineering Department that works with policyholders to improve workplace safety, to an extensive selection of informative accident-prevention videos for employers to utilize.

On NJM.com/SafetyCenter, you will find safety tips for your home and automobile, as well as pertinent information to help teen drivers as they prepare to receive their driver's license.

Please be sure to check NJM.com on, or after, June 7 for details about our upcoming announcements.

Take the pledge: Don't TEXT and DRIVE

Prepare to Weather the Storm



- **Homeowners insurance does not cover flood damage. A separate Flood policy is needed to cover this type of damage.**
- Don't wait until a storm is approaching to apply for a Flood policy. In most cases, the federal government imposes a 30-day waiting period between when the application and payment of premium are received and when the policy takes effect.
- As we saw with Tropical Storm Irene, you don't need to live near water to become the victim of flood damage. Heavy rains that clog storm drains could cause a flood in areas far removed from bodies of water.
- Flood insurance is administered by the National Flood Insurance Program (NFIP). Numerous agents and companies assist the NFIP by writing Flood insurance in conjunction with their rules and regulations, including NJM's subsidiary, New Jersey Re-Insurance Company.
- For tips on preventing storm damage to your home, visit our Safety Center at NJM.com.





Important information for NJM policyholders inside

NJM TURNS 100!

NJM is in for an exciting year — celebrating a century of serving and protecting our policyholders, while looking ahead to the challenges of the future. Our model of sharing our financial success with policyholders in the form of dividends (\$5.2 billion to date) and putting service above all else has stood the test of time. Through the Great Depression, two World Wars, Sandy and every major event in between, NJM has held strong and persevered, never abandoning its commitment to the Garden State.

As we acknowledge our Centennial, we look forward to continuing this mission. We are proud to celebrate this rare milestone with our policyholders, employees and the resilient Great State of New Jersey.