

RESOLUTION NO. 2018-14

**GLOUCESTER, SALEM, CUMBERLAND COUNTIES
MUNICIPAL JOINT INSURANCE FUND
(hereinafter the "Fund")**

ESTABLISHING THE 2018 PLAN OF RISK MANAGEMENT

BE IT RESOLVED by the Fund's governing body that the **2018** Plan of Risk Management shall be:

- 1.) **The perils or liability to be insured against.**
 - a.) The Fund insures the following perils or liability:
 - **Workers' Compensation** including Employer's Liability, USL&H and Harbor Marine/Jones Act.
 - **General Liability** including Police Professional Liability, Employee Benefits Liability, Quasi Municipal Organization Liability, Garage Keeper's Liability, Failure to Supply (water and electricity), Riot, Civil Commotion or Mob Action, Good Samaritan, Disinfecting Agents Release Hazard, and Skateboard Facility.
 - **Automobile Liability** including PIP and uninsured/Underinsured Motorists Coverage.
 - **Blanket Crime** including public employee dishonesty; forgery or alteration; theft, disappearance and destruction; robbery and safe burglary; and computer fraud with funds transfer. Excludes Statutory Positions.
 - **Property** including Boiler and Machinery
 - **Public Officials and Employment Practices Liability**
 - **Volunteer Directors & Officers Liability**
 - **Cyber Liability**
 - b.) The following coverages are provided to the Fund's member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL).
 - **Excess Workers' Compensation**

- **Excess General Liability**
 - **Non-Owned Aircraft Liability**
 - **Excess Auto Liability**
 - **Optional Excess Public Officials & Employments Practices Liability**
 - **Optional Excess Liability**
 - **Excess Property including Boiler and Machinery**
 - **Crime** including (1) **excess public employee coverage**, (2) **excess public officials coverage** where the Statutory Positions coverage is insured commercially for primary coverage and (3) coverage for **Statutory Positions** insured on a primary basis with MEL (where approved).
- c.) **Environmental Impairment Liability** – Coverage is provided to the Fund's member local units by the Fund's membership in the **New Jersey Municipal Environmental Risk Management Fund**.
- 2.) **The limits of coverage.**
- a.) **Workers' Compensation** limits.
- The Fund covers **\$500,000** CSL.
 - The MEL covers excess claims to the following limits.
 - Workers' Compensation - statutory
 - Employer's Liability - **\$6,500,000** in excess of the Fund's **\$500,000**
 - USL&H – Included in workers Compensation
 - Harbor Marine/Jones Act - Included in employers liability
 - Incidental Foreign Workers Compensation - included
 - Communicable Disease Coverage - included

b.) **General Liability** limits.

- The Fund covers \$500,000 CSL.
- The MEL covers excess liability claims as follows:
 - General Liability - \$4,500,000 CSL excess the Fund's \$500,000. The \$3,250,000 excess \$1,750,000 layer is subject to a \$3,250,000 per member local unit annual aggregate limit.
 - Police Professional - included in the MEL's excess General Liability limits.
 - Employee Benefits Liability - included in the MEL's excess General Liability limits.
 - Good Samaritan Liability - included in the MEL's excess General Liability limits.
 - Quasi Municipal Organization Liability. (Non-profit organizations included by a member local unit in the town's insurance program.)
 - Emergency Service Units and Auxiliaries - included in the MEL's excess General Liability limits.
 - Other* - \$4,500,000 CSL excess of the Fund's \$500,000. The \$3,250,000 excess \$1,750,000 layer is included in the MEL's excess General Liability \$3,250,000 excess \$1,750,000 per member local unit annual aggregate limit.

*Subject to availability and approval within specific JIF.

- Garage Keeper's Liability - \$1,500,000 CSL excess of the Fund's \$500,000. The \$250,000 layer excess of \$1,750,000 is included in the MEL's excess General Liability \$3,250,000 excess \$1,750,000 per member local unit annual aggregate limit.
- Failure to Supply Liability - \$4,500,000 CSL excess of the Fund's \$300,000. The \$3,250,000 excess of the \$1,750,000 layer is included in the MEL's General Liability

\$3,250,000 excess of \$1,750,000 per member local unit annual aggregate limit.

- Riot, Civil Commotion or Mob Action - \$4,500,000 CSL excess of the Fund's \$500,000. The \$3,250,000 excess of the \$1,750,000 layer is included in the MEL's General Liability \$3,250,000 excess of \$1,750,000 per member local unit annual aggregate limit.
- Dams (Class III and IV – Low Hazard) - \$4,500,000 CSL excess of the Fund's \$500,000. The \$3,250,000 excess of the \$1,750,000 layer is included in the MEL's General Liability \$3,250,000 excess of \$1,750,000 per member local unit annual aggregate limit.
- Dams (Class I and II – High Hazard) - \$500,000 CSL excess of the Fund's \$500,000.
- Subsidence Property Damage Liability- \$3,250,000 CSL excess of the Fund's \$500,000. The \$2,000,000 layer excess of \$1,750,000 layer is included in the MEL's General Liability and is subject to a \$2,000,000 “all members” annual aggregate limit excess of the \$1,750,000 each occurrence. There is no bodily injury liability sub-limit for subsidence.
- Sewer Back Up - \$3,250,000 CSL excess of the Fund's \$500,000. The \$2,000,000 layer excess of \$1,750,000 layer is included in the MEL's General Liability and is subject to a \$2,000,000 “all members” annual aggregate limit excess of the \$1,750,000 each occurrence. There is no bodily injury liability sub-limit for sewer back-up.
- Disinfecting Agents Release Hazard - \$500,000 CSL excess of the Fund's \$500,000.
- Skateboard Facilities - \$4,500,000 CSL excess of the Fund's \$500,000. The \$3,250,000 excess of the \$1,750,000 layer is included in the MEL's General Liability \$3,250,000 excess of the \$1,750,000 each occurrence. (Note: requires Fund approval).

Approval has been granted for the following Skateboard Facilities:

Pennsville Skateboard Facility

Monroe Township Skateboard Facility
Clayton Borough Skateboard Facility

c.) **Automobile Liability** limits.

- The Fund covers **\$500,000** CSL for Bodily Injury Liability, Property Damage Liability and PIP.
- The Fund covers \$15,000/\$30,000/\$5,000 for underinsured/Uninsured Motorists Liability.
- The MEL covers Automobile Bodily Injury and Property Damage Liability claims excess of the Fund's **\$500,000** CSL limit in the MEL's excess General Liability limit except that Automobile Liability claims which penetrate the excess of **\$1,500,000** layer are not subject to the aggregate limitation.
- The JIF provides PIP limits of \$250,000.
- The MEL does not provide excess PIP or Uninsured/Underinsured Motorist Coverage.

d.) **Non-Owned Aircraft.** The MEL covers \$5,000,000 CSL for Bodily Injury and Property Damage Liability, and \$5,000 medical expense for each passenger.

e.) **Public Officials Liability. (POL)**

- The JIF, 100% commercially insured with QBE North America, covers \$2,000,000 in the aggregate on a claims made basis per member municipality for each Fund year subject to a deductible and coinsurance as outlined below. There is a combined POL/EPL \$2,000,000 per member local unit annual aggregate.
- \$20,000 deductible per occurrence, except that a \$75,000 deductible per occurrence applies for member local units with unfavorable loss experience.
- 20% coinsurance of the first \$250,000 of the loss.
- For member local units without approved EPL Loss Control/Risk Management Programs:

- 20% surcharge on the local units annual assessment (premium) for this line of coverage
- By Resolution of the Executive Committee, the Fund may authorize the payment of a class action settlement on behalf of each affected participating member for which the Fund, by action of the Executive Committee, agrees to extend coverage.

NOTE: Member local units that qualify based on certain criteria to have options to purchase a lower deductible and coinsurance contribution. New members with adverse loss experience may be subject to higher deductible and coinsurance as provided by QBE North America.

f.) Employment Practices Liability (EPL)

- The JIF, 100% commercially insured with QBE North America, covers \$2,000,000 in the aggregate on a claims made basis per member municipality for each Fund year subject to a deductible and coinsurance as outlined below. There is a combined POL/EPL \$2,000,000 per member local unit annual aggregate.
- For member local units with approved EPL Loss Control/Risk Management Programs:
 - \$20,000 deductible per occurrence, except that a \$75,000 deductible per occurrence applies for member local units with unfavorable loss experience.
 - 20% coinsurance of the first \$250,000 of the loss
- For member local units without approved EPL Loss Control/Risk Management Programs:
 - \$100,000 deductible per occurrence, except that a \$150,000 deductible per occurrence applies for member local units with unfavorable loss experience.
 - 20% coinsurance (no cap) 1st \$2 million (not imposed against optional limits).
 - 20% surcharge on the local units annual assessment (premium)

NOTE: Member local units that qualify based on certain criteria have options to purchase a lower deductible and coinsurance contribution. New members with adverse loss experience may be subject to higher deductible and coinsurance as provided by QBE North America.

g.) **Optional Directors and Officers Liability (D & O) - Fire Companies and Emergency Service Units.**

- The JIF, 100% commercially insured with QBE North America, provides optional \$1 million or \$2 million annual aggregate limits for Fire Companies or Emergency Service Units subject to optional deductibles of \$1,000, \$2,000 or a \$5,000 deductible.

h.) **Property** (effective 12:01 A.M. December 31, 2017) –

The Fund covers \$50,000 per occurrence (Property & Time Element combined) less applicable member deductibles:

- Flood for locations wholly or partially within 100-year flood zone
- Boiler and Machinery
- Named Storm (Flood & Wind)

The MEL retains and provides excess property coverage at limits of \$400,000 excess \$100,000 per occurrence (Property & Time Element combined) except for the following:

- Flood for locations wholly or partially within 100-year flood zone
- Boiler and Machinery
- Named Storm(Flood & Wind)

The MEL serves as the lead agency for the purchase of additional excess property at the following MEL statewide limits and sub-limits:

- Policy limit - \$125 million per occurrence for all coverage despite number of locations involved in an occurrence state-wide.
- Named Storm - \$125 million per occurrence (Property and Time Element combined - (120 Hours)
- Earth Movement - \$100 million annual aggregate (168 hours)

- Flood - \$100 million (annual aggregate) except;
- Flood for locations wholly or partially within 100-year flood zone (SFHA) –
 - \$52.5 million per location building & contents
 - \$1 million all outdoor property
 - \$2.5 million for pumping stations
 - Definition of Flood includes Storm Surge
- Asbestos Cleanup - \$50,000 per occurrence
- Equipment Breakdown - \$125 million
 - Ammonia Contamination - \$5 million
 - Spoilage - \$5 million
- Time Element – included in the policy limit.
 - Time element sub-limits include:
 - Business Interruption – Included (12 Months)
 - Extra Expense - \$10 million
 - Tenant Relocation - \$750,000
 - Leasehold Interest - \$15 million
 - Tenant Prohibited Access- \$1 million (24 Hours)
 - Service Interruption - \$10 million
 - Loss of Rents - \$15 million
 - Delay in Completion -60 days
 - Extended Period of Liability – 365 days
- Utilities Member Owned – Property Damage and Time Element Combined - \$125 million
 - Time Element Pass Through Utilities – Per Policy Sub-limit
 - Time Element Power Generation Utilities – **NOT COVERED**
- Valuable Paper and Records (incl. EDP Media/Software - \$10 million
- Accounts Receivable - \$10 million
- Increased Construction Cost - \$25 million (Incl. Demolition)
- Transit - \$1 million per occurrence
- Fine Arts - \$2.5 million
- Land and Water Contamination Cleanup (limited) - \$250,000 (annual aggregate) Including removal & disposal
- Decontamination Costs - \$250,000
- Miscellaneous Unnamed Locations - \$10 million
- New Construction & Additions - \$25 million
 - Including soft costs - \$5 million sub-limit
 - 15 Days Delay in Completion
- Computer Systems Damage - \$2.5 million (24 Hours)
- Newly Acquired Locations – \$25 million per location
 - 90 Day Period
- Ingress/Egress - \$5 million (within 1 mile-30 Day Period)
- Debris Removal - \$25 million

- Expediting Expense - \$10 million
- Civil Authority -\$5 million(within 5 miles-30 Day Period)
- Professional Fees including Architects/Engineering Fees - \$1,250,000
- Errors & Omissions - \$10 million
- Miscellaneous Personal Property - \$10 million
 - Includes Outdoor Property - \$10 million (Named Peril Only)
- Watercraft - \$1 million - 32' or less – ACV in not scheduled
- Vehicles - \$15 million (Property Damage only)
- Bridges and Dams \$10 million. (Property & TE combined). Excluded for the Perils of Flood, Named Storm & Earth Movement.
- Piers, Wharfs, Docks, Boardwalks, Bulkheads, Crossovers - \$10 million - Named Peril Only
- Transmission and Distribution Lines - \$10 million (within a 1 mile radius of an insured Location for overhead lines & 5 mile radius for underground lines)
- Clogging/Blocking of pipes - \$1 million
- Off Premises Storage Under Construction - \$250,000
- Fire Department Service Charge - \$250,000
- Deferred Payments - \$1 million
- Land Improvements - \$10 million
- Off Premises Services Interruption - \$10 million Excluding Utilities 24 hour qualifying period
- Protection & Preservation of Property-\$10 million(48 Hrs BI)
- Research & Development - \$10 million (12 Hours)
- Impounded Water - \$250,000 (30 days)
- Tenant Prohibited Access - \$1 million
- Soft Costs - \$5 million
- Wind Turbine \$1 million per occurrence

FLOOD AGGREGATE NOTE: In no event shall the Zurich primary program aggregate for Flood and/or Surface Water exceed \$50,000,000 in any one policy year. The MEL has an excess flood and earth movement program on a quota share basis with several insurers that provides a combined limit of \$50,000,000 excess of \$50,000,000. As respects to flood, the limit is excess of the \$50 million Zurich program flood aggregate. It also drops down over the SFHA sub-limit contained in the Zurich policy of \$2.5 million.

The total statewide program annual aggregate for the peril of flood (for locations outside & wholly or partially within areas of 100-Year flooding) is \$100,000,000.

- Property Deductibles
 - The standard Member JIF retains and provides \$100,000 per occurrence (MELJIF Retention \$500,000 less JIF retention) (Property & Time Element Combined) less member local unit deductibles except for:
 - Flood for locations wholly or partially within 100-year flood zone
 - Boiler and Machinery
 - Named Storm (Flood & Wind)
 - The standard member local unit deductible is \$1,000 per occurrence except for:
 - Flood for locations wholly or partially within 100-year flood zone
 - Equipment Breakdown
 - Named Storm (Flood & Wind)
 - Equipment Breakdown coverage is subject to a member local unit \$5,000 deductible per occurrence (MELJIF Retention \$50,000 less JIF retention) (Property & Time Element Combined).
 - Flood loss and/or surface water for locations with any part of the legal description within a SFHA (wholly or partially within the 100-year flood zone) as defined by the Federal Emergency Management Agency is subject to separate deductibles of \$500,000 each for building damage for municipal buildings, and \$500,000 each building for municipal contents damage and \$250,000 each building damage for housing authority buildings, and \$100,000 each building for housing authorities contents damage or the National Flood Insurance Plans (NFIP) maximum available limits for municipalities and housing authorities respectively, whichever is greater, regardless of whether National Flood Insurance Program coverage is purchased. Vehicles, mobile equipment, pistol ranges and pumping stations are subject to the standard member local unit deductible unless they are not at a Location then the deductible is \$250,000 per occurrence. “Pumping Stations” include “lift stations” and also include “wet wells” that are an integral part of the “pumping station”. The flood loss deductible outside

of the SFHA (100-year flood zone) is the standard member local unit deductible. All other property not eligible for NFIP is either defined as Outdoor or addressed elsewhere in the policy.

NOTE: For housing authorities the MEL self insures the layer of \$250,000 excess \$250,000 each building for housing authority buildings and \$400,000 excess \$100,000 each building for housing authorities contents damage.

- o Named Storm” (Wind and Flood)

Locations: As respects to covered property in **Atlantic, Ocean, Monmouth, and Burlington Counties** located east of the Garden State Parkway and any covered property in **Cape May County**.

Property Damage 1% of the scheduled location value on file with the Company, per the property insured as of the date of loss, for the Location where the direct physical loss or damage occurred, per occurrence.

Locations: As respects to covered property in **Atlantic, Ocean, Monmouth, and Burlington Counties** located east of the Garden State Parkway and any covered property in **Cape May County**.

Time Element 1% of the full 12 months Gross Earnings or Gross Profit values that would have been earned following an occurrence by use of facilities at the Location where the direct physical loss or damage occurred and all other Locations where Time Element loss ensues, per occurrence.

The above Named Storm deductibles are subject to a minimum deductible of \$500,000 for Property Damage and Time Element Combined per Location and maximum deductible of \$1,000,000 per occurrence.

Locations: As respects to covered property in **Atlantic, Ocean, Monmouth, and Burlington Counties** located west of the Garden State Parkway and any covered property located in the remaining counties, except **Cape May County** as noted above. **SEE PAGE 8** (JIF

Retention \$100,000; MELJIF Retention \$500,000 less JIF retention).

The definitions of “Named Storm” and “Location” are per the definitions in the MEL policy form with Zurich. Named Storm is defined as any storm or weather disturbance that is named by the U.S. Oceanic and Atmospheric Administration (NOAA) or the U.S. National Weather Service or the National Hurricane Center of the Center or any comparable worldwide equivalent. Named Storm includes Storm Surge. **Location** is defined as: (1) as specified in the Schedule of Locations. If not specified in the schedule of locations then : (2) A Location is a building(s) bounded on all sides by public streets, clear land space or open waterways, each not less than fifty feet wide; (3) A site tract of land occupied or available for occupancy with tangible property.

- As respects to the perils of Flood, Earth Movement and Named Storm, if there is an event or series of related events in which more than one of these perils causes direct physical damage to insured property, a single deductible shall apply to these perils involved. The single deductible will not exceed the largest applicable for the perils of Flood, Earth Movement and Named Storm. In the event of a **Joint Loss** (Property and Equipment Breakdown), the higher deductible applies.
- **Piers, wharfs, docks, floating docks, boardwalks, buildings, bulkheads, crossovers and/or structures thereon** are covered for the perils of fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action, watercraft and malicious intent.
- **Buildings constructed on pilings** that are located wholly or partially within the Special Flood Zone Hazard (SFHA) designated zones V, VE, V1-30 are excluded except fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, and volcanic action, watercraft and malicious intent.
- **Bridges and Dams and Equipment relating thereto** are not covered for loss caused by or resulting from Flood, Earth Movement or Named Storm regardless of any other

cause or event, whether or not insured under this Policy, contributing concurrently or is any other sequence to the loss.

- i.) **Blanket Crime** - The JIF provides a limit of \$50,000 less the member entity deductible of \$1,000. Coverage includes Public Employee Dishonesty, Forgery and Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, Computer Fraud with Funds Transfer. The MEL provides its member JIF's excess limits of \$1,000,000 less the member JIF's retention of \$50,000 for Public Employee Dishonesty.
- j.) **Excess Public Officials Crime Coverage** - The MEL provides excess employee dishonesty for those employed positions which are required by law to be individually bonded and where they have not applied and have not been approved for coverage under the MELJIF Statutory Position Program at a limit of \$1,000,000 less a member local units' deductible which is the higher of the following:
 - 1) The amount said persons are required by Law to be individually bonded whether or not such individual Bond is in place, or
 - 2) The amount of the individual Bond in place.

Each member local unit that has not applied for coverage under the MELJIF Statutory Position Bond is required to continue to purchase via the commercial market individual bonds providing primary coverage up to "at least the minimum limit required by law" for those employed positions required by law to be individually bonded.

- k.) **Crime Statutory Position Coverage** - The MEL provides employee dishonesty and faithful performance coverage for those employed positions which are required by law to be individually bonded and where they have applied and have been approved for coverage at a limit of \$1,000,000 per occurrence per position less a member local units' deductible of \$1,000.
- l.) **Optional Excess Liability** - The MEL offers Optional Excess General Liability, including Police Professional Liability, Employee Benefits Liability, Quasi Municipal Organization Liability (Emergency Service Units and Auxiliaries only), and Automobile Liability (not including PIP or Underinsured/Uninsured Motorist Coverage) as follows:

- \$2 million CSL and per member local unit annual aggregate excess of \$5 million (auto liability not aggregated).
 - \$5 million CSL and per member local unit annual aggregate excess of \$5 million (auto liability not aggregated).
 - \$5 million CSL and per member local unit annual aggregate excess of \$10 million (auto liability not aggregated).
 - \$10 million CSL and per member local unit annual aggregate excess of \$10 million (auto liability not aggregated).
- m.) **Optional Excess POL/EPL** – The MEL offers optional excess POL/EPL as follows:
- \$1 million CSL and per member local unit annual aggregate excess of \$2 million
 - \$2 million CSL and per member local unit annual aggregate excess of \$2 million
 - \$3 million CSL and per member local unit annual aggregate excess of \$2 million
 - \$4 million CSL and per member local unit annual aggregate excess of \$2 million
 - \$4 million CSL and per member local unit annual aggregate excess of \$6 million
- n.) **Environmental Impairment Liability** – The limits of liability as established in the E-JIF's Plan of Risk Management and coverage document.
- o.) **Cyber Liability** – The JIF, 100% commercially insured with XL Catlin and **Beazley**, provides Third Party coverage including Media Communication, Network Security Liability and Privacy Liability and First Party coverage including Extortion Threat, Crisis Management Expenses and Privacy Notification Costs. The JIF limits of liability are **\$8,000,000 each third party claim / \$5,000,000 each first party claim / \$13,000,000 policy aggregate**. The limits are JIF wide and shared amongst member local units of the JIF. There is a \$10,000 policy deductible.
- p.) **Optional Individual Self-Insured Retentions** – None.
- q.) **Annual Aggregate Insurance** – None.

NOTICE: The above description is a general discussion of the coverage and limits provided by the FUND. However, the actual terms and conditions are defined in the policy documents and all issues shall be decided on the policy documents.

3.) **The amount of risk to be retained by the Fund.**

- a.) Workers' Compensation (all coverages) - \$500,000 CSL
- b.) General Liability (all coverages) - \$500,000 CSL
- c.) Employment Practices Liability – none 100% commercially insured with QBE North America.
- d.) Non-Owned Aircraft - none
- e.) Automobile Liability
 - o PD & BI - \$500,000 CSL
 - o Underinsured/Uninsured - \$15,000/\$30,000 CSL
 - o PIP - \$250,000 CSL
- f.) Public Officials Liability – none. 100% commercially insured with QBE North America.
- g.) Optional Directors and Officials Liability – none. 100% commercially insured with QBE North America.
- h.) Property - \$100,000 per occurrence less member deductibles.
- i.) JIF Blanket Crime - \$50,000 less member deductible
- j.) Optional Excess Liability – none provided by MEL
- k.) Environmental Impairment Liability - none other than the risk of an E JIF assessment.
- l.) Residual Claims Liability - none other than the risk of a RCF assessment.
- m.) MEL Crime Policy – none provided by MEL
- n.) Optional Excess POL\EPL – none provided by MEL
- o.) Cyber Liability – none 100% commercially insured with XL Catlin and Beazley

- p.) Annual Aggregate Stop Loss Excess Insurance – none
- 4.) **The amount of unpaid claims to be established.**
- a.) The general reserving philosophy is to set reserves based upon the probable total cost of the claim at the time of conclusion. Historically, on claims aged eighteen (18) months, the Fund expects the claims servicing company to set reserves at 85% accuracy. The Fund also establishes reserves recommended by the Fund's actuary for claims that have been incurred but not yet reported so that the Fund has adequate reserves to pay all claims and allocated loss adjusted expense liability.
- b.) Claims reserves are subject to regular review by the Fund's Executive Director/Administrator, Attorney, Executive Committee and claims servicing company. Reserves on large or unusual claims are also subject to review by the claims departments of the commercial insurance companies or reinsurance companies providing primary or excess coverages to the Fund.
- 5.) **The method of assessing contributions to be paid by each member of the Fund.**
- a.) By November 15th of each year, the actuary computes the probable net cost for the upcoming Fund year by line of coverage and for each prior Fund year. The actuary includes all budget items in these computations. The annual assessment of each participating municipality is its pro rata share of the probable net cost of the upcoming Fund year for each line of coverage as computed by the actuary.
- b.) The calculation of pro rata shares is based on each municipality's experience modified manual premium for that line of coverage. The Fund's governing body also adopts a capping formula which limits the increase of any member's assessment from the preceding year to the Fund wide average increase plus a percentage selected by the governing body. The total amount of each member's annual assessment is certified by majority vote of the Fund's governing body at least one (1) month prior to the beginning of the next fiscal year.
- c.) The treasurer deposits each member's assessment into the appropriate accounts, including the administrative account, and the claim or loss retention trust fund account by Fund year for each type of coverage in which the member participates.

- d.) If a local unit becomes a member of the Fund or elects to participate in a line of coverage after the start of the Fund year, such participant's assessments and supplement assessments are reduced in proportion to that part of the year which had elapsed.
 - e.) The Fund's governing body may by majority vote levy upon the participating municipalities additional assessments wherever needed or so ordered by the Commissioner of Insurance to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. All supplemental assessments are charged to the participating municipalities by applicable Fund year, and shall be apportioned by the year's assessments for that line of coverage.
 - f.) Should any member fail or refuse to pay its assessments or supplemental assessments, or should the Fund fail to assess funds required to meet its obligations, the chairman or in the event by his or her failure to do so, the custodian of the Fund's assets, shall notify the Commissioner of Insurance and the Director of Community Affairs. Past due assessments shall bear interest at the rate established annually by the Fund's governing body.
 - h.) The Fund has adopted a loss sensitive retrospective rating plan and has filed the endorsement with the Department of Banking and Insurance and the Department of Community Affairs.
- 6.) **Procedures governing loss adjustment and legal expenses.**
- a.) The Fund engages a claims service company to handle all claims, except for the JIF's POL/EPL and Volunteer D&O insurance which is handled by Summit Risk Services representing QBE North America for EPL/POL and Volunteer D&O. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the Fund attorney, the MEL's attorney's office, as well as the claims department of the MEL's three major liability insurers/re-insurers [i.e. General Re and Munich Re for excess liability, and Safety National for workers' compensation]. Every three years, the MEL's internal auditors also conduct an audit.
 - b.) Each member local unit is provided with a claims reporting procedure and appropriate forms.
 - c.) In order to control workers' compensation medical costs, the Fund has the Fund has established an approved medical list and all injured employees are required to utilize this panel.

- d.) To provide for quality defense and control costs, the Fund has established an approved defense attorney panel with firms which specialize in Title 59 matters. The performance of the defense attorneys is overseen by the Fund attorney, as well as the various firms which audit the claims adjusters.
- e.) The pursuit of subrogation is important to the member and the JIF because successful recoveries replenish the loss funds thereby benefitting a members' loss history and the ultimate JIF results.

Therefore:

1. All requests for abandonment of subrogation, reduction of subrogation claims, and for execution of releases shall be reviewed by the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund Claims Review Committee at its next regularly scheduled meeting, except for subrogation claims that are valued at less than **ONE THOUSAND (\$1,000.00) DOLLARS**; and
2. As to all subrogation claims less than **FIVE HUNDRED (\$500.00) DOLLARS**, after the Claims Administrator has exhausted all avenues for collection of the subrogation claim, the claim shall be referred to Claims Supervisor who shall review the claim and provide a list of those claims and dollar amounts being waived to the Fund Administrator of the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund; and
3. As to all subrogation claims greater than **FIVE HUNDRED (\$500.00) DOLLARS** but less than **ONE THOUSAND (\$1,000.00) DOLLARS**, after the Claims Administrator has exhausted all avenues for collection of the subrogation claim, the claim shall be referred to the Fund Solicitor who shall review the claim and provide a list of those claims and dollar amounts being waived to the Fund Administrator of the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund; and
4. For all subrogation claims of **ONE THOUSAND (\$1,000.00) DOLLARS** or more, the Claims Review Committee shall review such claims and provide a recommendation to the Executive Committee of the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund at their next regularly scheduled meeting; and
5. The Executive Committee shall review the recommendations of the Claims Review Committee, the Claims Administrator, and the Fund Solicitor and determine whether to ratify the recommendations and said action will be noted in the meeting minutes via the claim number of the appropriate claim; and

6. If the recommendation is for the execution of a Release and the Executive Committee ratifies that recommendation, the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund's Chairperson and Secretary shall be authorized to execute the Release by Resolution.

7.) **Coverage to be purchased from a commercial insurer, if any.**

The Fund does purchases commercial insurance for the POL/EPL, Volunteer D&O, and Cyber Liability coverage which is purchased from QBE North America (POL/EPL, Volunteer D&O), **Beazley (Cyber)** and XL Catlin (Cyber).

8.) **Reinsurance to be purchased.**

The Fund does not purchase reinsurance.

9.) **Procedures for the closure of Fund years, including the maintenance of all relevant accounting records.**

- a.) The Fund utilizes the Municipal Excess Liability Residual Claims Fund (RCF) to facilitate the closure of Fund years.
- b.) Upon the transfer of outstanding liabilities of a Fund year to the RCF, the Fund adopts a resolution closing that year and transfers all remaining assets to the closed Fund year account. This amount is allocated by member local units using the same procedure as is used to calculate a dividend. Each month, interest is credited to the closed Fund year account by member.
- c.) Each year, the Fund's governing body will determine if a dividend is appropriate from the closed Fund year account, and will make application to the Department of Insurance as appropriate. Further, in the event an open Fund year incurs a deficit, the Fund's governing body will consider an inter-year transfer from the closed Fund year account to offset the deficit. In either case, the dividend or inter-Fund year transfer will be calculated on a member by member basis.
- d.) A member may apply to the Fund's governing body for a return of that member's remaining share of the closed Fund year account when five (5) years have passed since the last Fund year in which the member participated has been closed. The Fund's governing body will decide on the former member's request after evaluating the likelihood of any additional assessments from the RCF.

- e.) All dividends from the RCF will be deposited in the closed Fund year account on a member by member basis.
 - f.) The Fund will retain all records in accordance with the Fund's record retention program.
- 10.) **Assumptions and Methodology used for the calculation of appropriate reserves requirements to be established and administered in accordance with sound actuarial principles.**
- a.) The general approach in estimating the loss reserves of the Fund is to project ultimate losses for each Fund year using paid and incurred loss data. Two traditional actuarial methodologies are used: the paid loss development method and the incurred loss development method. From the two different indications resulting from these methods the Fund Actuary chooses a "select" estimate of ultimate losses. Subtraction of the paid losses from the select ultimate losses yields the loss reserve liability or funding requirement.
 - b.) The following is an overview of the two actuarial methods used to project the ultimate losses.
 - o Paid Loss Development Method - This method uses historical accident year paid loss patterns to project ultimate losses for each accident year. Because this method does not use case reserve data, estimates from it are not affected by changes in case reserving practices. However, the results of this method are sensitive to changes in the rate of which claims are settled and losses are paid, and may underestimate ultimate losses if provisions are not included for very large open claims.
 - o Case Incurred Loss Development Method - This method is similar to the paid loss development method except it uses historical case incurred loss patterns (paid plus case outstanding reserves) to estimate ultimate losses. Because the data used includes case reserve estimates, the results from this method may be affected by changes in case reserve adequacy.
- 11.) **The maximum amount a certifying and approving officer may approve pursuant to N.J.A.C. 11:15-2.22.**
- Property Claims - \$5,000 of Authority
 - Workers Compensation Claims - \$10,000 of Authority

- Liability Claims - \$5,000 of Settlement Authority; \$10,000 of legal and file expense Authority
- The Executive Committee has established an Executive Claims Review Committee comprised of Fund Commissioners to review all Payment Authorization Requests, (PARs) where the total cost of a claim will exceed the Authority noted above, and review litigation strategies with the Fund's Attorney. The Executive Claims Review Committee shall advise the Executive Committee regarding claims administration and payments.
- Prior to each Executive Claims Review Committee Meeting, the certifying and approving officer shall prepare a report that lists the payments on claims where the total expense to date is less than the Authority levels noted above that were approved by the certifying and approving officer since their last report. At a minimum, the report shall include the name of the payee, claim number, affected member, amount paid, reason for payment, and other pertinent information required to substantiate payment. The report shall be provided to the Executive Claims Review Committee at their regular meeting for their review and approval.
- In situations where the payment of an allocated file expense on a workers compensation file that has been approved for closure will cause the total cost of the claim to exceed the Authority previously granted, the certifying and approving officer may pay that cost without seeking further approval from the Executive Claims Review Committee or Fund.
- In urgent situations where the Executive Claims Review Committee has not had an opportunity to meet, and where time is of the essence such that an expeditious response to a settlement offer would be in the Fund's best economic interest, the Fund Attorney, in consultation with the Executive Director and the Executive Claims Review Committee Chair, shall have the authority to authorize the settlement of claims within the JIF's SIR. All such authorizations shall be reported to the Executive Claims Review Committee as soon as possible and no later than the Committee's next meeting. All such authorizations shall be reported to the Executive Committee for approval at their next meeting.
- In urgent situations where the Executive Claims Review Committee has not had an opportunity to meet, and temporary total disability benefits are due to a claimant and delaying payment of these benefits would have a detrimental impact on the claimant, the Executive Director, in consultation with the Fund Attorney, and

the Executive Claims Review Committee Chair, shall have the authority to authorize the payment of temporary total disability benefits to the claimant at an amount not to exceed \$5,000 over what had been previously authorized. All such authorizations shall be reported to the Executive Claims Review Committee as soon as possible and no later than the Committee's next meeting. All such authorizations shall be reported to the Executive Committee for approval at their next meeting.

- Upon submission of satisfactory documentation, and with the advance approval of the Executive Director, the Certifying and Approving Officer may also pay hospital bills if waiting until after the next regularly scheduled FUND meeting would result in the loss of a discount on such bills. When the Certifying and Approving Officer utilizes this authority, a report shall be made to the Executive Claims Review Committee at their next meeting. All such approvals shall be reported to the Executive Committee at their next meeting.

12.) **Operational Philosophy**

- **General** - As is the case with any organization, an established operating philosophy, formalized in a document such as this, is a necessary precursor to success. This section of the Risk Management Plan is developed to provide general instruction for key areas and providers of service to the Fund. Also included here are sections which restate (and amplify) the roles and responsibilities of important parties and stress the importance of activities upon which the long term success of the Fund will hinge in whole or in part.
- **Fund Commissioners** - Fund Commissioners, each an elected official or municipal employee, are the backbone of the Fund. These individuals will in large measure control the success of the Fund by actively participating in the safety and loss control programs developed by the Fund for all members, and by implementing these programs in their respective municipalities. Fund Commissioners are encouraged to attend all meetings of the Fund, to serve on committees studying current issues, to enhance their knowledge of risk management, and to encourage consistent safe practices.
- **Fund Professionals and Risk Management Consultants** - Providers of professional services (Fund Professionals and Risk Management Consultants) to the Fund and individual member municipalities are strongly encouraged to participate in and promote Fund activities. The success of the Fund will, in part, be a reflection of the professionalism of those providers whose services are integral components of the Fund. Support of the concept of self-insurance, the Fund in general, and the

risk management activities of member municipalities in particular are necessary elements of success.

- The Fund Bylaws require each member municipality to provide for the services of an individual or firm to serve as the member's Risk Management Consultant and who shall serve as an Insurance Producer as defined under N.J.S.A. 17:22, and shall have demonstrated experience in the management of public sector insurances and risk management. The Risk Management Consultant shall not be an employee of the member. The Risk Management Consultant shall not be a Fund Commissioner.
- The Risk Management Consultant shall advise the member on matters relating to the Fund's operation and coverages. The Risk Management Consultant shall, in addition to such items as may be included in such individual's or firm's contract or agreement with the member, be governed by the following:
 - a) The Risk Management Consultant shall be retained by each member in conformance with applicable State Law or regulation;
 - b) Risk Management Consultants, who can not be local unit employees, shall be paid a fee not exceeding six (6%) percent of the member's assessment in accordance with the terms of the Risk Management Consultant's Agreement executed by the member; and
 - c) Specific responsibilities shall include, but not be limited to:
 - i.) Evaluation of the member's exposure;
 - ii.) Explanation of the various coverages available from the Fund;
 - iii.) Preparation of applications, statements of values, timely reporting of changes in exposures, and any other exposure based questionnaires and/or applications requested by the Fund;
 - iv.) Review of the local unit's assessment and assistance in preparing the member's insurance budget;
 - v.) Review and analysis of the member's safety engineering reports and periodic loss runs in order to help the member identify areas requiring greater attention;
 - vi.) Assist the member in establishing, monitoring and evaluating a safety committee and claims handling procedure;
 - vii.) Attend the majority of meetings of the Fund's Executive Committee; and

viii.) Analyze and recommend insurance coverages not offered through the Fund.

- Claims Response And Reserving - Were the philosophy of the Fund in these areas to be encapsulated into two sentences, they would read as follows:
 - a.) “The Fund will thoroughly review and respond to each claim presented so as to pay only that amount (if any) which it is legally bound and obligated to pay.”; and
 - b.) “Reserves shall be established on each claim presented in a manner which accurately reflects the full, known liability of the Fund at any given point in time”.

In reviewing each claim presented, the Fund (operating through its claims administrator and legal counsel) shall review such claims for coverage, deny those not falling within the purview of coverages offered, aggressively defend those in dispute, pursue to the fullest extent of the law those presented in bad faith, and settle as expeditiously as possible those for which the Fund is legally liable.

- Case reserves, including all types of applicable allocated loss adjusting expenses, will be established with an eye toward identifying the full exposure of the Fund and its excess insurance carriers at the earliest possible date. Reserves shall be periodically reviewed for accuracy and adjusted as needed. For claims aged eighteen (18) months or more, it is expected that reserves will be not less than 85% accurate. For claims aged thirty (30) months or more 95% accuracy is expected.
- Financial Management - Consistent with the objective of serving as a long term vehicle through which to stabilize the costs associated with insurance coverages, the underlying premise of the Fund’s financial base shall be one of conservative up-front funding, prudent investment of idle funds, and maintenance of stringent paper and audit trails. As is the case with all other aspects of the Fund, the financial assets of the Fund can well be considered as moneys held in public trust. Treatment and handling of these Funds must be accomplished in a manner which reflects the stewardship obligation of those whose hands through which they pass. All actuarial, investment, treasury and banking functions of the Fund are to be accomplished in a manner consistent with the same legal and administrative standards applicable to municipalities in the State of New Jersey.

Specific steps taken by the Fund during past years to enhance return on equity include:

- a.) implementing more favorable payment terms with various service providers so as to increase investment income;
 - b.) Development and adoption of a Cash Management and Investment Policy which seeks the following objectives:
 - i.) Preservation of capital,
 - ii.) Adequate safekeeping of assets,
 - iii.) Maintenance of liquidity to meet operating needs, claims settlements, and dividends,
 - iv.) Diversification of the JIF's portfolio to minimize risks associated with individual investments,
 - v.) Maximization of total return, consistent with acceptable risk levels,
 - vi.) Investment of assets in accordance with State and Federal laws and regulations,
 - vii.) Accurate and timely reporting of interest earnings, gains and losses by line of coverage in each fund year,
 - viii.) Cooperation with other local JIFs and the MEL in the planning and execution of investments in order to achieve economies of scale,
 - ix.) Stability in the value of the JIF's economic surplus.
- Safety And Loss Prevention - Every dollar spent to compensate for an avoidable loss, whether it be for property, workers' compensation or any other coverage afforded through the JIF, is a dollar which might better have been used to provide municipal services and conserve tax dollars. In an effort to avoid preventable loss and the financial and human hardships which result therefrom, the JIF (operating through the Fund's Safety Committee) will implement safety and loss control programs and procedures, directed at reducing or eliminating conditions or practices which lead to loss. These programs, implemented in progressive steps, will include items such as:
- a.) Member facility self-inspections supplemented by those conducted by the Fund's Safety Director;
 - b.) Seminars or other training programs directed at specific areas of municipal operations from which losses are likely to occur;

- c.) Promotional safety incentive programs stressing safety in all areas of municipal operations and offering incentives for active participation by all Fund members.

13.) **Aggregate Excess Loss Contingency Fund**

In November of 1996, the Department of Banking and Insurance adopted administrative codes for municipal joint insurance funds like the TRICOJIF, reference N.J.A.C. 11:15-2.1 et. seq. One aspect of these new regulations is the requirement that joint insurance funds either buy aggregate excess insurance or budget additional money to be collected from the members in an aggregate excess loss contingency fund. The spirit of this portion of the administrative code is to provide even greater fiscal security to joint insurance funds than the security provided through the funding of loss retention accounts based upon an independent actuarial loss funding model.

The members view this requirement as supporting their primary objective to stabilize costs. The history of the Fund is to purchase aggregate excess insurance whenever possible to protect against a series of losses. However, the Fund has also observed that this is not always possible and has instead budgeted an additional amount of money as loss fund contingency in those years when aggregate excess insurance was either not available or too costly to consider. For the members, the Aggregate Excess Loss Contingency Fund is simply a new name for an established practice and the TRICOJIF will continue its practice of budgeting extra money in the absence of commercially available aggregate excess insurance but will now refer to these monies as the Aggregate Excess Loss Contingency Fund.

The administrative code defines the Aggregate Excess Loss Contingency Fund as a separate fund which is always accounted for in the current fund fiscal year. The monies are set aside for a period of at least two years to pay for claim activity that exhausts loss funds in a claim retention account in the original fund year in which the monies were set aside. The code also defines the minimum statutory funding for this aggregate loss fund account and specifically states that nothing in the law shall prevent a joint insurance fund from funding this account at a higher level. Both the statute and administrative code governing the TRICOJIF also require that any surplus and/or deficit in every retention account for each year is owned by the members who were a part of that year according to the percentage that their individual total contribution bears to the budget in that year. Contributions made to the Aggregate Excess Loss Contingency Fund are no different in this regard.

However, the Aggregate Excess Loss Contingency Fund is different than other loss retention accounts in two fundamental ways; the manner in which the TRICOJIF must account for the funds and its use across all

years by individual members. Because the Aggregate Excess Loss Contingency Fund moves from the current fiscal year forward to the succeeding fiscal year in its entirety and the statutory minimum funding associated with a specific fund fiscal year must be retained for a minimum of two years, this fund must always be accounted for on an individual member basis showing both a member's statutory encumbered portion and their statutory unencumbered portion.

As discussed above, the Aggregate Excess Loss Contingency Funds are intended to provide an immediate response to the need to replenish money in a loss fund account where the original loss funding has been consumed. It is also true that over time if the value of the projected ultimate cost of claims within a loss retention account as defined by the claims administrator added to the Incurred But Not Reported (IBNR) values developed by the actuary do not exceed the original loss funding within a loss retention account after two years, the administrative code permits but does not mandate a full return of those aggregate excess loss contingency funds to their member owners. Thus, the aggregate excess loss contingency funds that are surplus and not yet returned can be used by members to pay for additional money needs in any fund year when and if needed. This provides members with the opportunity to accrue surplus aggregate excess loss contingency funds and use them across all fund years in much the same way they have used the Loss Fund Contingency money in earlier budgets as a safeguard across multi-line retention accounts in a given fund fiscal year.

In this regard, the Aggregate Excess Loss Contingency Fund is in part a protection against adverse development for both specific retention accounts as well as providing protection on a multi-year and multi-line loss basis.

The administrative code specifically permits a member to use released surplus funds in loss retention accounts to either take them in the form of a return of surplus or to be applied toward the payment of a future premium. As the unencumbered portion of the Aggregate Excess Loss Contingency Fund is an individual member owned surplus account, members with accrued surplus in this account can likewise use these funds in the same way.

Finally, the TRICOJIF views the Aggregate Excess Loss Contingency Fund as a better version of the old Loss Fund Contingency. We believe it provides a stronger vehicle through which members can build a financial bank against adverse development on a multi-year and multi-line basis. It is the hope of the TRICOJIF that members will use this fund to provide themselves with a financial vehicle through which they can manage an additional assessment with no cost to their municipality or pay future insurance premiums to stabilize costs, or both.

14.) **Committee Charters**

Appendix I of the Plan of Risk Management contains Committee Charters for the Coverage, Employment Practices, Finance, Nominating, Strategic Planning, and Safety Committees.

This Resolution was duly adopted by the Gloucester, Salem, Cumberland Counties Municipal Joint Insurance Fund at a public meeting held on January 22, 2018

**GLOUCESTER, SALEM, CUMBERLAND COUNTIES
MUNICIPAL JOINT INSURANCE FUND**

BY:

ATTEST: _____

CHAIRMAN

SECRETARY

DATE: _____