



NEW JERSEY COUNTIES EXCESS JOINT INSURANCE FUND

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Date: June 9, 2021

To: NJCE Finance Committee

From: Executive Director
Perma Risk Management Services

Re: Benefits of the New Jersey Counties Excess Joint Insurance (NJCE) Program

This will provide an overview of the benefits of membership in the New Jersey Counties Excess Joint Insurance Fund.

Introduction

Article 3 of NJSA 40A:10-1 et seq. permits a County to establish an Insurance Fund Commission so that the County and its' affiliated entities associated with the County can achieve cost savings through the combination of joint purchase and self-funding of the property & casualty insurance. The County is also a member of the NJCE JIF. N.J.S.A. 40:10-36 allows municipalities, counties and authorities to establish a Joint Insurance Fund to also share risk via self-insurance against liability, property damage and workers compensation. The NJCE JIF membership includes 10 counties and seventeen of their affiliated entities. Please attached membership chart.

Overview

The Insurance Fund Commission's Board of Commissioners is made up of three (3) County employees including a Chairperson and Vice Chairperson. The NJCE JIF has a Board of Commissioners made up of representatives of each of its ten (10) member counties. Please see attached Organization Chart. **The Board of Commissioners are the final decision makers.** Insurance Fund Commissions and Joint Insurance Funds are a public entity but operate similar to an Insurance Company providing a number of unbundled services. They contract with certain professionals including Executive Director, Treasurer, Attorney, Auditor, Actuary, Claims Administrator, Managed Care Provider and Litigation Management (including defense panel law firms). The member Insurance Fund Commission funds and retains the first \$300,000 in coverage for workers compensation and liability claims. The New Jersey Counties Excess Joint Insurance Fund retains the first layer of excess coverage shared with other members of New Jersey Counties Joint Insurance Fund on a joint and several basis through self-funding and risk sharing. The NJCE purchases coverage in the commercial market to provide catastrophic excess insurance and specialty coverage such as POL/EPL and Cyber Liability. Please see attached schematic depicting limits and coverage provided.

Benefits of the Insurance Commission/Joint Insurance Program

There are a **number of benefits** derived from membership in an Insurance Commission and/or Joint Insurance Fund. They include the following:

- The NJCE JIF Model has enabled member Counties and their affiliated entities to **effectively take control of their total cost of risk**. It provides a modernized approach to managing risk that includes an efficient method of insurance procurement that **emphasizes improved buying power and better insulates membership from adverse insurance market conditions** like the current marketplace and also **insulates membership from adverse loss experience**.
- The Insurance Commission and NJCE concept was based on a proven model used by municipal JIFs. This is one of the most **successful shared services arrangement** in New Jersey that includes Inter-County, County to County and shared purchases of miscellaneous ancillary coverage. It allows for **consolidation of insurance coverage and services** resulting in savings to all participating members.
- A **comprehensive claims management program**. This includes an established claims committee to review and provide authorization to pay claims. Each member has a representative that serves on this committee. This differs from purchasing insurance in the commercial market in that you pay a premium and do not have a say on how your claims are handled. The only update is via insurer loss runs. In this program you would have an **intimate involvement in all claims** on a monthly basis via the claims committee who review claim payment authorization requests made by the claims administrator. The claims management program also includes dedicated claim resources, oversight of claims administrator, litigation management, management of the claims (including nurse case management for workers compensation claims), coordinated claim strategy meetings, use of a risk management information system for data analytics and claim adjuster reviews and audits.
- A **comprehensive risk control program**. This includes an established safety committee to review accidents and address training needs. Each member has a representative that serves on this committee. This program focuses on **customized safety training and education** to supplement and compliment your in house risk management program. This will help reduce the number of accidents and minimize their financial impact. Training includes webinar interactive programs, safety video streaming service, instructor led programs. It utilizes a learning management system to keep a record of who trains and for what training programs. The NJCE excess insurer also offers a grant program for certain safety initiatives.
- The **retention of underwriting profit**. This program allows for premium savings of up to 10% to 15%. It allows for retention of underwriting profit generating surplus and allows for dividends back to the membership. With a commercial insurer you pay premium with no chance to receive dividends regardless of your loss experience.
- **Improved communication between insurer and the insured member** via monthly executive committee meetings, claim committee meetings, safety committee meetings, the plan of risk management and monthly monitoring reports which tracks the financials, as well as, expected loss ratio report that measures claim performance against actuarial projections and the surplus generated.
- Provides for **all audit, actuarial and litigation management services**.

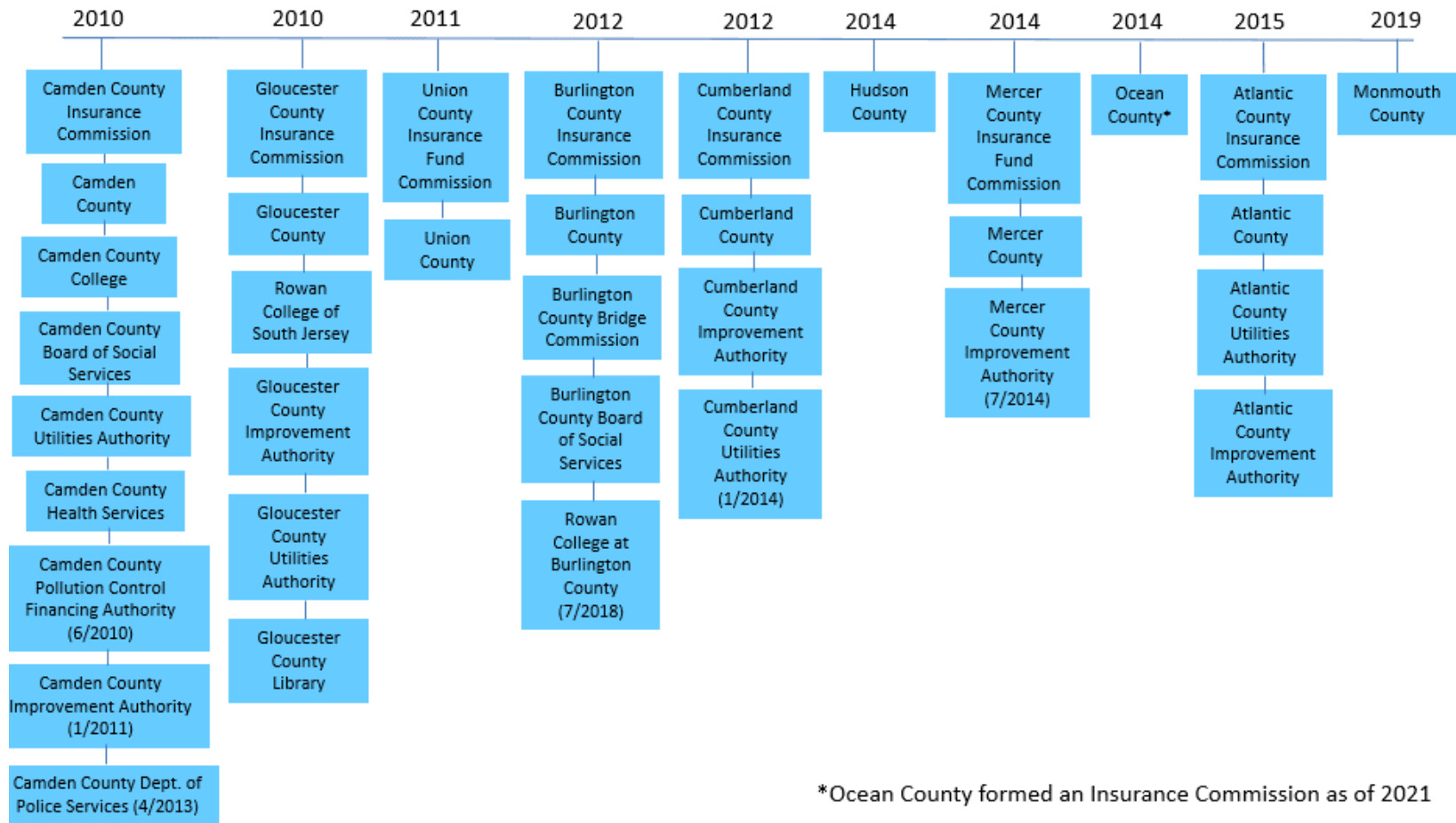
Financial Performance

The NJCE and its member Insurance Commissions are very strong financially. NJCE has a statutory “surplus” of \$13.6 million. Its member Insurance Commissions have a statutory “surplus” of \$55.3 million. The statutory “surplus” on a program wide basis is \$68.9 million. The total dividends returned to the membership is \$12.9 million. The total estimated savings to taxpayers since 2010 is \$110.6 million.

Also attached is a presentation that provides more detail on the benefits of the Insurance Fund Commission and the NJCE JIF.

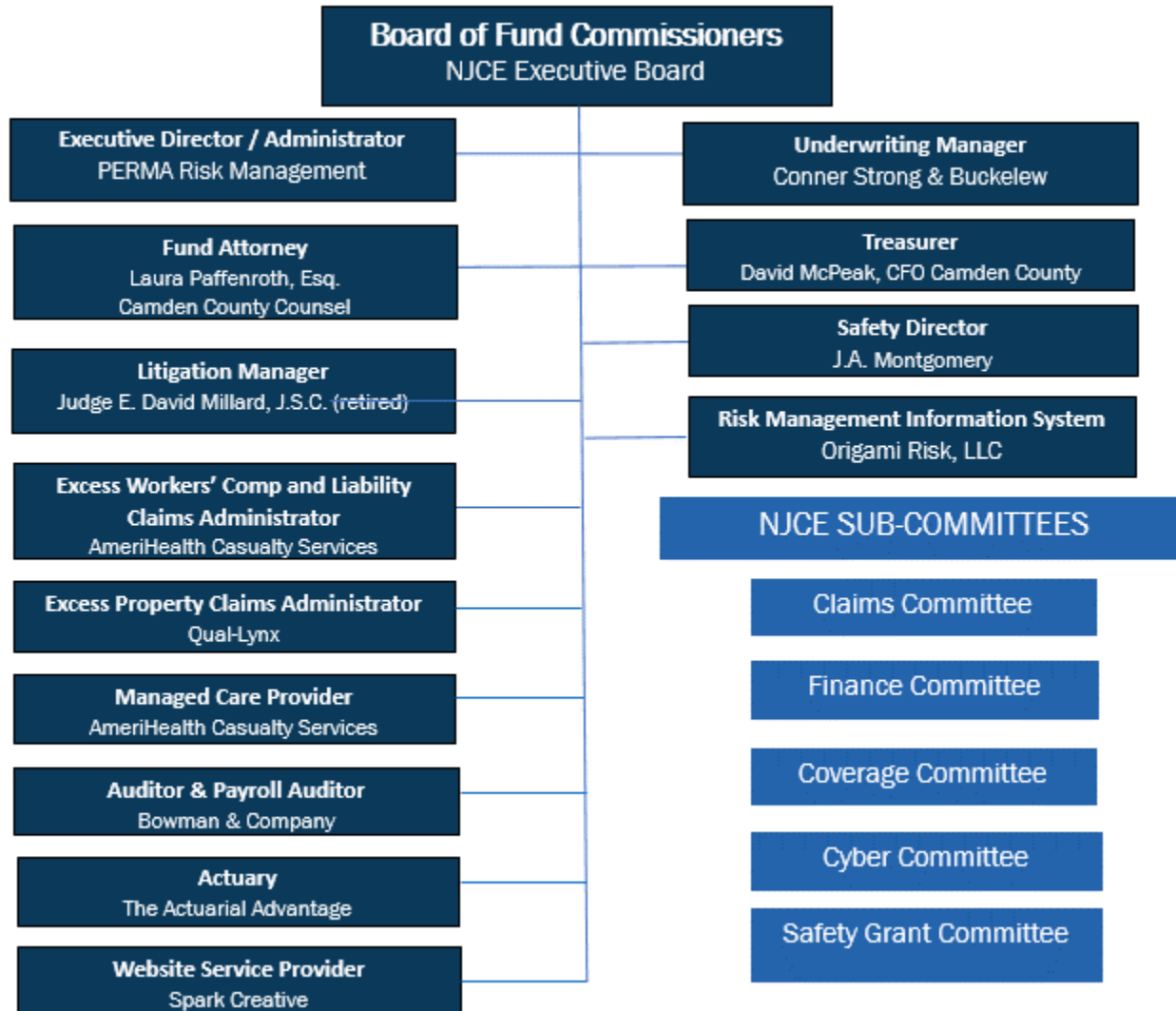
NJCE Membership Chart

New Jersey Counties Excess Joint Insurance Fund



*Ocean County formed an Insurance Commission as of 2021

NJCE Organization Chart



NJCE Limit Schematic

