

RESOLUTION 14-23

**NEW JERSEY COUNTIES EXCESS JOINT INSURANCE FUND
(Hereinafter the "Fund" or the "NJC")
ESTABLISHING THE 2023 PLAN OF RISK MANAGEMENT**

BE IT RESOLVED by the Fund's Executive Committee that effective 01/01/2023, the 2023 Plan of Risk Management shall be:

- 1.) The perils or liability to be insured against.
The following coverages are provided to the Fund's member Insurance Commission's and County.
 - a. Excess Workers' Compensation & Employers' Liability
 - b. Excess Liability
 - c. Excess Property/Equipment Breakdown
 - d. Public Officials/School Board Legal/Employment Practices Liability
 - e. Crime
 - f. Pollution Liability
 - g. Medical Professional and General Liability
 - h. Excess Medical Professional and General Liability
 - i. Employed Lawyers Professional Liability
 - j. Cyber Liability
 - k. Non-Owned Aviation Liability
 - l. Active Assailant

- 2.) Limits of Coverage
This is a general overview of coverage; full details, including other terms, conditions, limits, sublimit and deductibles may apply.
 - a.) Excess Workers' Compensation & Employers' Liability
 - Workers' Compensation: Statutory, less the member's SIR
 - Employers' Liability: Up to \$26,150,000, less the member's SIR
 - b.) Excess Liability
 - Group Aggregates:
 - \$10,000,000 excess \$1,500,000 SIR: \$30,000,000
 - Excess Liability (General Liability, Law Enforcement Liability, Sexual Abuse, Employee Benefits Liability, Unmanned Aircraft): Up to \$21,500,000 each / \$31,500,000 aggregate, less the members' SIRs
 - Excess Automobile Liability: Unaggregated
 - Unmanned Aircraft: \$5,000,000
 - Dams & Levees:
 - All Other: Included
 - "Poor": \$5,000,000
 - "Unsatisfactory": \$1,000,000
 - Bridges
 - All Other: Included
 - "Poor": \$5,000,000
 - PIP (and similar Automobile Medical Expense): Excluded
 - Uninsured/Underinsured Motorist: Excluded
 - c.) Excess Property/Equipment Breakdown
The NJC provides property coverage of \$1,750,000 excess of the underlying Insurance Commissions'/Counties' limit of \$250,000 (except as otherwise noted below), and excess property.
Property per Occurrence Limits:
 - All Risk: \$110,000,000 Per Occurrence
 - Excess All-Risk: \$150,000,000 Per Occurrence (excess \$110m)
 - Flood: \$50,000,000 Aggregate, except
 - Flood, High Hazard: \$25,000,000 Aggregate
 - Flood, Unreported: \$5,000,000 Aggregate

- Earthquake: \$100,000,000 Aggregate
- Vehicles (PD Only): \$10,000,000
 - Time Element/Extra Expense: \$500,000 (NJCE/Member)

Property Deductibles

- Member Deductible: \$250,000
 - Equipment Breakdown: \$50,000
 - Flood, SFHA (Per Location):
 - Building: Max available NFIP limit (typically \$500,000)
 - Contents: Max available NFIP limit (typically \$500,000)
 - Time Element: \$500,000
 - Named Storm:
 - Property Damage: 1% of the value per Schedule of Values on file with the company for those buildings where the direct physical loss or damage occurred, per occurrence.
 - Time Element: 1% of the full 12 months Gross Earnings or Gross Profit values that would have been earned following the Occurrence by use of the facilities at the Location where the direct physical loss or damage occurred and all other Locations where Time Element loss ensues, per occurrence.
 - Minimum Deductible: \$500,000 per occurrence

Monmouth County purchases a separate program and is not included in the above. The NJC provides \$500,000 excess of \$500,000 for all coverages except Vacant Property, Equipment Breakdown, Flood High Hazard and Named Storm.

- d.) Public Officials/School Board Legal/Employment Practices: Up to \$20,000,000 each / \$30,000,000 aggregate.

Hudson does not participate in this program.

- e.) Crime: Up to \$4,000,000
- f.) Pollution Liability
- Limit of Liability: \$10,000,000 per claim and \$25,000,000 annual aggregate

County of Hudson does not participate in this program. Monmouth County purchases a separate program for Pollution.

- g.) Medical Professional/General Liability
- Limit: \$1,000,000 per claim / \$3,000,000 aggregate
 - Excess Limit: \$10,000,000 per claim / \$10,000,000 aggregate
 - Excess Limit: \$10,000,000 per claim / \$10,000,000 aggregate

County of Union, County of Hudson and County of Monmouth, as well as certain members of other Insurance Commissions, do not participate in this line of coverage.

- h.) Employed Lawyers Professional Liability
- Limit: \$5,000,000 per claim / \$10,000,000 aggregate
Only certain entities participate in this program.
- i.) Cyber Liability – Network Privacy & Security Liability

- Please ask your Executive Director or Underwriting Manager

j.) Non-Owned Aircraft. \$9,000,000 CSL for Bodily Injury and Property Damage Liability, and \$5,000 medical expense for each passenger. Rotor Wing sublimited to \$5,000,000.

k.) Active Assailant. \$5,000,000 per occurrence/aggregate.
Only certain entities participate in this program.

NOTICE: The above description is a general overview of the coverage and limits provided by the Joint Insurance Fund. The actual terms and conditions are defined in the individual policy documents. All issues and/or conflicts shall be decided upon by the individual policy documents.

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

All amounts are reduced by the member's retentions/deductibles.

- a.) Workers' Compensation/Employers Liability: \$1,150,000
 - i. Presumptive: \$1,750,000
- b.) Excess Liability: \$1,500,000
- c.) Property/BM - \$2,750,000 excess \$250,000
 - a. Boiler & Machinery - None
 - b. Flood SFHA – \$2,500,000
 - c. Named Storm – 4% excess of 1%
 - d. Monmouth: \$500,000 excess of \$500,000
 - i. Flood SFHA: None
 - ii. Named Storm: None
- d.) Public Officials/School Board Legal and EPL Liability:
 - a. Monmouth, Ocean and Burlington: \$1,500,000
- e.) Crime – None
- f.) Pollution Liability – None
- g.) Medical Professional Liability – None
- h.) Employed Lawyers – None
- i.) Cyber – Please ask your Executive Director or Underwriting Manager
- j.) Non Owned Aircraft – None
- k.) Active Assailant – 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 member entity 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 member entity's experience modified manual premium for that line of coverage. The total amount of each member's annual assessment is certified by majority vote of the Fund's Executive Committee 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 public entity 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 Executive Committee may by majority vote levy upon the participating members 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 members 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 Banking and Insurance and the Director of Community Affairs. Past due assessments shall bear interest at the rate established annually by the Fund's Executive Committee.
- 6.) **Procedures governing loss adjustment and legal expenses.**
- a.) The Fund engages a claims service company to handle all claims. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the NJC's attorney's office, as well as the claims department of the NJC insurers. Every three years, the NJC's internal auditors also conduct an audit.
 - b.) Each member entity is provided with claims reporting procedure and appropriate forms.
 - c.) 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.
- 7.) **Coverage to be purchased from a commercial insurer, if any.**
- Excess Property and Equipment Breakdown - The NJC purchases an excess property policy from various insurers with limits of \$110,000,000 excess of the NJCJIF and its member's retentions and equipment breakdown with limits of \$100,000,000.
- Additional Excess Property - The NJC purchases additional excess property of \$150,000,000 excess of \$110,000,000 with multiple insurers on a quota share basis for a total limit of \$260,000,000. The NJC purchases excess Flood/Earthquake of

\$50,000,000/\$100,000,000, respectively, with multiple insurers on a quota share basis.

Workers Compensation - The NJC purchases Excess Workers Compensation coverage from Safety National up to statutory limits.

Public Officials/School Board Legal/EPL Liability - The NJC purchases Public Officials/School Board Legal and EPL Liability from Chubb. County of Hudson does not participate in this program.

Crime - The NJC purchases Crime from National Union Fire Insurance Company of Pittsburgh (AIG).

Pollution Liability - The NJC purchases pollution liability from Allied World at limits of \$10,000,000 per claim and \$250,000 annual aggregate. Monmouth County and Hudson County do not participate in this program. Monmouth purchases separate programs.

Medical Professional General Liability/Excess Medical Professional - The NJC purchases medical professional liability from Ironshore at limits of \$1,000,000/\$3,000,000 per claim and annual aggregate. They also provide an excess limit annual aggregate of \$10,000,000/\$10,000,000. Chubb provides the \$10,000,000/\$10,000,000 Excess \$11,000,000/\$13,000,000. County of Ocean, Union County Insurance Commission, County of Hudson and Monmouth County do not participate in this line of coverage.

Employed Lawyers Liability - The NJC purchases employed lawyers from Ace American Insurance at limits of \$5,000,000/\$10,000,000 per claim and annual aggregate excess of the per member entity retentions. This aggregate limit is shared by each member entity of each NJC member Commission. Burlington County Insurance Commission, Mercer County Insurance Fund Commission, the County of Hudson, County of Ocean and Monmouth County do not participate in this line of coverage.

Cyber - The NJC purchases Network Privacy & Security Liability on an optional basis from Chubb, Cowbell and Great American.

Non-Owned Aircraft Liability - The NJC purchases Non-Owned Aircraft Liability from Endurance at limits of \$9,000,000 each occurrence and \$5,000 medical payments each passenger.

Active Assailant - The NJC purchases Active Assailant from AXA XL.

8.) Reinsurance to be purchased

Excess Liability - The NJ purchases reinsurance policies from Munich Re and Old Republic

Public Officials/School Board Legal/EPL Liability - The NJ purchases Public Officials/School Board Legal and EPL reinsurance from Munich Re and Old Republic

9.) 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.

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.

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.

- c.) The following shall the payment schedule for assessments:

1) Current Members: 60% of the assessment shall be due March 15th and the remainder due on August 1st.

2) New Members:

a) New members will be billed based upon an agreed payment schedule for the initial first year of membership.

b) Thereafter the initial year, new members will be billed the same cycle as current members on March 15th and August 1st.

- 10.) **The maximum amount a certifying and approving officer may approve pursuant to N.J.A.C. 11:15-2.22.**

- \$10,000.
- With the advance approval of the Fund Attorney, 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 Commissioners at their next meeting.
- General Liability, Auto Liability, Workers' Compensation and Property: Any claim in excess of \$10,000 must be reviewed by the Fund's Executive Director/Administrator, and approved by the Board of Fund Commissioner/Executive Committee. The Board of Fund Commissioners has established a claims subcommittee comprised of at least three of its members to exercise this power. This subcommittee may meet telephonically when required.

ADOPTED this 23rd day of February, 2023