

REPORT ON EXAMINATION
AS TO CONDITION OF THE
NEW JERSEY COUNTIES EXCESS JOINT INSURANCE FUND
PARSIPPANY, NEW JERSEY 07054
AS AT DECEMBER 31, 2013

Filed

November 25, 2015

**Commissioner
Department of Banking &
Insurance**

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State of New Jersey

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September 30, 2015

Honorable Richard J. Badolato
Acting Commissioner of Banking and Insurance
New Jersey Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets, liabilities, method of conducting business and other affairs of the:

NEW JERSEY COUNTIES EXCESS JOINT INSURANCE FUND PARSIPPANY, NEW JERSEY 07054

Hereinafter referred to in this report as the "Fund."

SCOPE OF EXAMINATION

This financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. 40A:10-47.

The examination was made as at December 31, 2013. The examination was conducted at the office of the Fund's Executive Director, PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054.

The conduct of the examination was governed by the procedures outlined in the N.A.I.C. Financial Condition Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining the emphasis to be placed on specific accounts, consideration was given to

the Company's system of internal control, the nature and size of each account, its relative importance to solvency and the results of the previous financial condition examination.

In the verification of matters as shown in this report, limited test checks were made, some complete and others partial. Consideration was allowed for limiting the verification on certain accounts at a point where they were determined to be substantially correct or the account under review was considered insignificant and not crucial to the Fund's solvency.

HISTORY AND KIND OF BUSINESS

Effective March 1, 2010, the Camden County Insurance Commission and the Gloucester County Insurance Commission were the two charter members of the New Jersey Counties Excess Joint Insurance Fund (the "Fund"). The Fund was established under N.J.S.A. 40A:10-36 and N.J.A.C. 11:15-2, which authorizes the establishment of a joint insurance fund for the purposes provided by law. This was based on the Commissions' determination that cost savings and efficiencies can be achieved if the two commissions share the cost of excess insurance claim management and services and consolidation of insurance policies. Subsequently, Union County joined the Fund in 2011 and the Burlington County Insurance Commission, Cumberland County Insurance Commission, and Salem County Insurance Commission joined the Fund in 2012.

The Fund has the following members as of December 31, 2013:

Camden County Insurance Commission	3/1/2010
Gloucester County Insurance Commission	3/1/2010
Union County -	3/1/2011
Burlington County Insurance Commission	1/1/2012
Cumberland County Insurance Commission	10/4/2012
Salem County Insurance Commission	10/15/2012

The registered agent upon whom process may be served is PERMA, 9 Campus Drive, Suite 216 Parsippany, New Jersey 07054.

TERRITORY AND PLAN OF OPERATION

Pursuant to N.J.S.A. 40A:10-36, et seq. the governing body of a qualified local unit shall by resolution, agree to join the Fund. The resolution shall provide for execution of a written agreement specifically providing for acceptance of the Fund's bylaws as approved and adopted pursuant to N.J.S.A. 40A:10-39. The resolution shall also provide for the execution of an Indemnity and Trust agreement as defined in Article I.

Any local unit seeking membership shall also submit an application for membership to the Fund on a form acceptable to the Commissioner. The application shall include the

executed Indemnity and Trust agreement and the resolution required under Subsection 1 above.

An application may be approved by a majority vote of the Fund Commissioners or two-thirds vote of the full authorized membership of the Executive Committee based on the following criteria:

1. The applicant's claims history shows safety performance consistent with the Fund's objectives and the applicant's physical location and makeup indicates a prospective likelihood of satisfactory future claim performance.
2. The Fund has the administrative capability to absorb additional memberships without undue inconvenience or strain.
3. The local unit is a County. If another local unit associated with a County requests coverage from the fund, that entity shall present a resolution from the County that it may be a part of that county's membership and shall not be a separate member. Local units that may be associated with a county include any entity that may be insured by an insurance commission formed by a county including, but not limited to a county college, technical school, library, or county authority.

Within 15 days of its approval by the Fund, the executed Indemnity and Trust Agreement and the resolution required under Subsection I above shall be concurrently filed with the Department and the Department of Community Affairs and shall be accompanied by such amendments to the Fund's Budget and Plan of Risk Management as well as any other documents required pursuant to N.J.A.C. 11:15-2 et. seq.

If a non-member is not approved for membership, the Fund shall set forth in writing the reasons for disapproval and send the reasons for disapproval to the non-member. The Fund shall retain a copy of all membership application disapproval's for five years.

The following is a listing of Fund Professionals serving at December 31, 2013:

Administrator: PERMA Risk Management Services---The Administrator shall act as the executive director of the Fund to carry out the policies established by the commissioners or executive committee. He shall be experienced in risk management matters and shall not be a commissioner of the Fund.

The Administrator shall perform the following:

1. The Administrator shall carry out the day to day operation of the Fund.
2. Shall advise on risk management matters and prepare draft modifications to the Fund's Risk Management Plan.

3. Shall maintain underwriting data.
4. Shall draft bid specifications for services as necessary.
5. Shall monitor the performance of service companies.
6. Shall write a draft budget for review by the Commissioners.
7. Shall perform such other duties as provided for by the Fund Commissioners, the by-laws and New Jersey Statutes.

Fund Actuary: Actuarial Advantage – The Actuary shall certify the actuarial soundness of the Fund and shall provide such actuarial reports and reviews as required by the Fund and the New Jersey Department of Banking and Insurance.

Fund Auditor: Bowman & Company - The Auditor shall be an independent certified public accountant or a registered municipal accountant and not a commissioner. The Auditor shall conduct the annual audit of the Fund and shall perform such other duties as provided for by the Fund commissioners or executive committee, the By-laws and the laws and regulations of the State of New Jersey.

Fund Attorney: Laura Paffenroth, Esq – The Fund Attorney shall be admitted to the Bar of the State of New Jersey and have the following responsibilities:

1. Advise the Fund on legal matters, attend the Fund's regular monthly meetings to advise the Fund on legal matters and consult with counsel representing the Fund in defense of claims.
2. Advise the Fund on selection of counsel to represent the Fund in the defense of claims.
3. Perform such other duties as provided for by the Fund Commissioners, the Fund By-laws and the laws and regulations of the State of New Jersey.

Treasurer: David McPeak-- The Treasurer shall be a certified municipal finance officer, not be a commissioner and shall have the following duties and responsibilities:

1. Be the custodian of Fund assets and maintenance of various trust funds.
2. Approve receipts, disbursements and financial records.
3. Prepare cash management plan and invest funds

4. Perform other related duties as designated by the Fund Commissioners in accordance with the By-laws of the Fund and laws and regulations of the State of New Jersey.

Safety Director/Right to Know Provider: J.A. Montgomery Risk Control - As Safety Director this professional will provide safety and loss prevention services on behalf of the Fund. As Right to Know Provider this professional will provide a technically qualified instructor to provide right to know training the Fund's members.

Underwriter: Conner Strong & Buckelew – Services provided by the Underwriter include the following:

1. Assist in ongoing coordination, updating and preparation of coverage documents detailing all lines and limits of coverage provided by the Fund to the member municipalities as well as coordinating the drafts of these documents.
2. Respond to questions related to coverage from members, insurance producers or the Executive Director.
3. Calculate excess insurance/reinsurance premiums based on rates negotiated with insurer/reinsurer for each member based upon renewal exposure data provided by the Executive Director.
4. Market, negotiate and place excess property insurance and reinsurance coverage in conjunction with the Executive Director and as authorized by the Fund's Executive Committee.

MANAGEMENT AND CONTROL

Each participating member shall appoint one commissioner to the Fund. Each participating member shall select either a member of its governing body or one of its employees. In addition, each participating member shall have the right to appoint one (1) alternate to attend either regular or special meetings on behalf of the local unit in the absence of the Fund Commissioner. The alternate Commissioner must be either a member of its governing body or one of its employees.

In the event that the number of participating members is an even number, one additional commissioner shall be appointed annually by a participating member on a rotating basis determined alphabetically.

All terms of office shall expire on January 1st or until a successor is duly appointed and qualified. A Commissioner, other than the special commissioner, who is a member of the appointing member's governing body shall hold office for two years or for the remainder of his/her term of officer as a member of the governing body whichever shall be less. Commissioners who are employees of the appointing member shall hold office at the pleasure of the member and can be removed by the member at any time without cause. The special commissioner, if any, shall serve until January 1st or the year following

appointment provided, however, that if the special commissioner is an employee of the appointing member, he or she can be removed by the appointing municipality at any time without cause.

The unexpired term of a commissioner other than the special commissioner, shall be filled by the appointing member in the manner generally prescribed by law. In the event of a vacancy of the special commissioner caused by reason other than the expiration of the term of office, the member, which appointed the commissioner, shall appoint the replacement for the unexpired term. Any commissioner can be removed from office for cause by two-thirds vote of the full membership of the Fund commissioners. Upon such a vote it shall be incumbent upon the member to replace the commissioner.

The commissioners are hereby authorized and empowered to operate the Fund in accordance with these By-laws and appropriate state laws and regulations.

Each commissioner shall have one vote, provided however, that the special commissioner shall only vote in the event of a tie. The following is listing of commissioners serving at December 31, 2013:

Commissioner

Member

Michael Smith
Risk Manager

Burlington County Insurance Commission

Ken Mecouch
County Administrator

Cumberland County Insurance Commission

Ross Angilella
County Administrator

Camden County Insurance Commission

Gerald White
Deputy County Administrator

Gloucester County Insurance Commission

Norman Albert
First Deputy County Counsel

Union County

Robert Vanderslice
County Freeholder

Salem County Insurance Commission

If the total number of commissioners exceeds seven (7), as soon as possible after the beginning of the year they shall meet and elect five (5) commissioners to serve with the Chairperson and the Secretary as the executive committee of the Fund. During their

terms of office, members of the executive committee shall exercise the full power and authority of the commissioners except as otherwise provided.

The executive committee shall serve until January 1st of the following year or until their successors are duly elected and qualified.

In the event the commissioners shall elect an Executive Committee as provided for above, they may also elect up to four (4) additional commissioners to serve as alternate members of the Executive Committee to attend either regular or special meetings to serve in the absence of a member or members of the Executive Committee. An alternate or alternates serving in the absence of a member, or members, of the Executive Committee shall exercise the full power and authority of that absent member or members. Alternates shall have all privileges and responsibilities of Executive committee members except they shall only vote when so designated below:

a. Alternates shall vote in established priority order, designated as alternate #1, alternate #2 etc. Alternate #1 shall vote in the absence of one member of the Executive Committee or in the absence of Alternate #1, Alternate #2 may vote, and so on.

Vacancies on the Executive Committee caused by a reason other than the expiration of the term of office may be filled by a majority vote of the full remaining membership of the Executive Committee.

The members of the executive committee and alternates elected and serving at December 31, 2013 were as follows:

Michael Smith, Chairman	Burlington County
Ken Mecouch, Secretary	Cumberland County
Norman Albert, Commissioner	Union County
Gerald White, Commissioner	Gloucester County
Ross Angilella, Commissioner	Camden County
Robert Vanderslice, Commissioner	Salem County
Marc Krassan (Special Com per bylaws)	Burlington County

As of 12/31/13 there were no sub-committee of the NJ Counties.

As soon as possible after the beginning of each year the commissioners shall meet to elect officers of the Fund from their own membership including a chairperson and a secretary who shall be elected annually.

Officers will serve until January 1st of the following year or until a successor is duly elected and qualified.

The Chairperson shall preside at all meetings of the commissioners and shall perform such other duties provided for in the By-laws and the laws and regulations of the State of New Jersey.

The Secretary shall preside over meeting of the commissioners in the absence of the Chairperson, maintains minutes of meetings, retain all books, records, files and other documents of the Fund, and shall perform such other duties as provided for in the By-laws.

In the event of vacancy in any of the officer positions caused by other than the expiration of the term of office, the commissioners shall by majority vote, fill the vacancy for the unexpired term. Any officer can be removed without cause by two-thirds vote of the full membership of Fund commissioners. In this event the full membership of Fund commissioners shall fill the vacancy for the unexpired term.

At December 31, 2013, the Chairman was Michael Smith, and the Secretary was Ken Mecouch .

A review of the minutes indicates the transactions and events of the Fund are adequately reviewed.

INSURANCE AND EXCESS INSURANCE COVERAGE

The following is a description of insurance coverages afforded to members of the New Jersey Counties Excess Joint Insurance Fund:

Workers Compensation

Workers compensation coverage is provided to statutory limits excess the member's \$250,000 self- insured retention. Two members Camden County Municipal Utilities Authority and Camden County Health Services retain the first \$750,000 while Camden County Community College and the Camden County Police Department do not purchase workers compensation insurance from the Fund.

Employers Liability is provided as follows:

Gloucester County Insurance Commission \$26,000,000 per occurrence and in the aggregate less the member's self- insured retention of \$250,000.

Camden County Insurance Commission \$26,000,000 per occurrence and in the aggregate less the member's self-insured retention of \$250,000.

Union County \$16,000,000 per occurrence and in the aggregate less the member's self-insured retention of \$250,000.

Burlington County \$21,000,000 per occurrence and \$26,000,000 in the aggregate less the member's self-insured retention of \$250,000.

Cumberland County Insurance Commission \$26,000,000 per occurrence and in the aggregate less the member's self-insured retention of \$250,000.

Salem County Insurance Commission \$31,000,000 per occurrence and in the aggregate less the member's self-insured retention of \$250,000.

Excess General Liability

Coverage for excess general liability is provided to members as follows:

Gloucester County Commission - \$20,500,000 CSL per occurrence less the member's \$250,000 self-insured retention subject to a \$30,500,000 18 month aggregate limit.

Camden County Commission- \$20,500,000 CSL per occurrence less the member's \$250,000 self-insured retention. Subject to a \$30,500,000 18 month aggregate limit

County of Union - \$10,500,000 CSL per occurrence less the member's \$250,000 self-insured retention. Subject to a \$30,500,000 18 month aggregate

Burlington County Insurance Commission - \$15,500,000 CSL per occurrence less the member's \$250,000 self-insured retention. Subject to a \$40,500,000 18 month aggregate limit includes public officials and employment practices liability.

Cumberland County Insurance Commission \$20,500,000 per occurrence and \$30,500,000 18 month aggregate less the member's \$250,000 self-insured retention.

Salem County Insurance Commission - \$25,500,000 per occurrence and \$45,500,000 18 month aggregate less the member's \$250,000 self-insured retention.

Law Enforcement Liability and Employee Benefits Liability are included in the Excess General Liability Limits. Subsidence Liability, Sexual Abuse Molestation, Owned Watercraft and Garagekeepers Legal Liability are covered to \$1,000,000 less the members \$250,000 self-insured retention.

Automobile liability is included in the excess liability limit and no coverage is provided for Personal Injury Protection or Uninsured/Underinsured Motorist Coverage.

Excess Property/Boiler and Machinery

The property/boiler and machinery coverage is commercially insured with Zurich Insurance Company and RSUI Indemnity Company. Zurich provides coverage to \$110,000,000 per occurrence and RSUI provides coverage for \$150,000,000 excess of \$110,000,000 per occurrence.

The policy contains the following sub-limits:

- Earthquake - \$100,000,000 (Annual Aggregate)
- Flood - \$50,000,000 (Annual Aggregate) Except;
- Flood Inside 100-Year Flood Zone - \$25,000,000
- Asbestos Cleanup - \$50,000 (Annual Aggregate)
- Valuable Paper And Records - \$10,000,000
- Accounts Receivable - \$10,000,000
- Demolition & Increased Cost of Construction - \$25,000,000
- Business Interruption - \$30,000,000 (Business Income On Revenue Producing Property Only)
- Extra Expense – \$10,000,000
- Transit- \$1,000,000 Per Conveyance/\$1,000,000 Per Occurrence
- Fine Arts - \$1,000,000 (Owned And Non Owned)
- Pollution And Contamination Cleanup (Limited) - \$250,000 (Annual Aggregate)
- Miscellaneous Unnamed Locations - \$5,000,000
- Builders' Risk - \$25,000,000 (no sub-limit for soft costs)
- Newly Acquired Locations - \$25,000,000 (90 day reporting)
- Service Interruption - \$10,000,000 Combined Time Element and Property Damage Including Overhead Transmission Lines within 1 mile of insured premises, 24 hour waiting period)
- Ingress/Egress - \$5,000,000 or 30 Days Whichever Is Less
- Debris Removal - \$25,000,000 or 25% Of The Covered Loss, Whichever is Less
- Civil Government Authority – \$5,000,000 or 30 Days, Whichever Is Less
- Leasehold Interest - \$15,000,000
- Loss Of Rents - \$15,000,000
- Loss Adjustment Expense - \$500,000 Per Claim/ \$1,000,000 Aggregate
- Extended Reporting Period – 365 Days
- Auto Physical Damage - \$500,000 Per Scheduled Vehicle
- Fungus, Wet Rot, Dry Rot Or Bacteria - \$500,000 Per Occurrence/Aggregate
- Underground Piping - \$10,000,000 (ONLY IF WITHIN 1,000' OF A PUMP STATION, PROCESS PLANT, METERING PIT, WELLS OR SIMILAR OPERATIONAL LOCATIONS)

WHICH ARE OWNED, LEASED, USED OCCUPIED OR
INTENDED FOR USE BY THE MEMBER ENTITY).

- EDP Equipment – No sub-limit
- Outdoor Property - \$5,000 per item, no sub-limit
- Boiler And Machinery - \$100,000,000
 - Business Interruption - \$10,000,000 (Business Income On Revenue Producing Property Only)
 - Contingent Business Income - \$5,000,000
 - Loss Of Rents - \$15,000,000
 - Newly Acquired - \$5,000,000
 - Demolition & Increased Cost Of Construction - \$25,000,000
 - Hazardous Substance - \$5,000,000
 - Expediting Expenses- \$5,000,000
 - Perishable Goods - \$5,000,000
 - Service Interruption - \$5,000,000 Combined Time Element and Property Damage Including Overhead Transmission Lines within 1 mile of insured premises, 24 hour waiting period)
 - Data Restoration - \$1,000,000
 - Miscellaneous Unnamed Location (Property Damage Only) - \$5,000,000
 - Extended Period Of Indemnity - 180 Days

The excess property coverage of \$150,000,000 excess of \$110,000,000 provided by RSUI Indemnity Company does not apply to the sub-limits.

The standard member insurance commission retention is \$100,000 per occurrence less the applicable member deductible. This retention also applies to time element, auto physical damage and flood. Member deductibles vary by each individual insured entity and are detailed in the Fund's Plan of Risk Management.

Excess Public Officials/School Board Legal Liability/Employment Practices Liability

Coverage is provided to members as follows:

Camden County Insurance Commission \$10,000,000 each claim and in the aggregate less the member entity retentions with the exception of Camden County Health Services which has a sub-limit of \$1,000,000 per claim and in the aggregate.

The member entity deductibles for Camden County are shown below:

- Camden County - \$250,000 each (Includes CCPD EPL)
- Camden County College - \$25,000 SBL/\$50,000 EPL
- Camden County College Foundation- \$25,000 SBL/\$50,000 EPL

- Camden County Municipal Utilities Authority - \$25,000 each
- Camden County Board of Social Services - \$5,000 each
- Camden County Health Services - \$25,000 each
- Camden County Pollution Finance Authority - \$25,000 each
- Camden County Improvement Authority - \$10,000 each
- School Leaders Sexual Molestation Coverage - \$100,000

Gloucester County Insurance Commission \$15,000,000 each claim and in the aggregate except for members school entities where the coverage is \$10,000,000 each claim and in the aggregate. The coverage provided is less the member entity retentions as shown below

- Gloucester County - \$100,000 each
- Gloucester County College - \$25,000 SBL/\$50,000 EPL
- Gloucester County Improvement Authority - \$25,000 POL/\$50,000 EPL
- Gloucester County Utilities Authority - \$5,000 each
- Gloucester County Library Commission - \$5,000 each

Coverage for the County of Union is \$10,000,000 each claim and in the aggregate less a \$250,000 retention.

Cumberland County has coverage for \$10,000,000 each claim and in the aggregate less the individual entity retentions which are as follows:

- Cumberland County - \$100,000 POL/\$250,000 EPL
- Cumberland County Improvement Authority - \$15,000 POL/\$25,000 EPL
- Cumberland County Improvement Authority - \$10,000 POL/\$25,000 EPL

Salem County coverage is \$10,000,000 per claim and in the aggregate less a retention of \$50,000 for Public Officials Liability and \$75,000 for Employment Practices Liability. There is a sub-limit of \$1,000,000 each claim and in the annual aggregate excess of the member entity retention of \$100,000 for sexual abuse/molestation for schools only.

The Public Officials and EPL liability coverage for the Burlington County Insurance Commission is included in the excess liability program with Lloyds of London as described above. The limits of \$15,000,000/\$40,000,000 (18 month aggregate) are shared amongst the member entities of the Burlington County Insurance Commission. Effective April 5, 2012 deductible buy back coverage was secured for the Board of Social Services at limits of \$500,000 per claim and \$1,000,000 in the annual aggregate with deductibles of \$50,000 each wrongful act and other than employment practices violations and \$50,000 each employment practices obligations.

Crime

The Crime coverage which is purchased through the commercial market provides coverage at the following limits for all coverage parts with deductibles per occurrence for each coverage part for the member entities listed.

- Gloucester County – \$1,000,000 deductible \$10,000
- Gloucester County Library Commission - \$500,000 deductible \$5,000
- Gloucester County Utilities Authority - \$500,000 deductible \$5,000
- Gloucester County College - \$500,000 deductible \$5,000
- Gloucester County Improvement Authority - \$500,000 deductible \$5,000
- Camden County – \$4,000,000 (Includes CCPD) deductible \$50,000
- Camden County Health Services - \$1,000,000 deductible \$10,000
- Camden County Municipal Utilities Authority - \$500,000 deductible \$5,000
- Camden County Board of Social Services - \$500,000 deductible \$5,000
- Camden County College - \$500,000 deductible \$5,000
- Camden County College Foundation- \$500,000 deductible \$5,000
- Camden County Pollution Control Finance Authority - \$500,000 deductible \$5,000
- Camden County Improvement Authority – Not covered
- Union County - \$1,000,000 deductible \$25,000
- Burlington County including BC BOSS - \$500,000 deductible \$5,000
- Burlington County Bridge Commission - \$350,000 deductible \$5,000
- Cumberland County - \$1,000,000 deductible \$25,000
- Cumberland County BOSS - \$1,000,000 deductible \$10,000
- Salem County - \$500,000 deductible \$10,000

Pollution

The coverage for pollution liability is purchased through the commercial market and the Fund does not retain any liability for this coverage. The insurance purchased provides coverage to the following limits with the listed deductibles:

Limit of liability per claim is \$10,000,000 subject to a \$25,000,000 annual aggregate with a member entity deductible of \$25,000.

Medical Professional General Liability/Excess Medical Professional

The coverage for Medical Professional General Liability/Excess Medical Professional Liability is purchased through the market and provides coverage to the follows limits:

- Limit per claim/annual aggregate: \$1,000,000/\$3,000,000
 - This primary aggregate limit is shared by each member entity of each NJC member Commission.
- Excess Limit annual aggregate: \$20,000,000/\$20,000,000
 - Excess Limit is a shared limit between CCIC, GCIC, BCIC, CUIC and SCIC.

The following member entity deductibles apply:

- Gloucester County – \$25,000
- Gloucester County (Prosecutors)-\$5,000
- Gloucester County IA (Shady Lane) - \$10,000
- Gloucester County Prosecutors Office (SANE) - \$5,000
- Gloucester County College (Nursing Program) – \$5,000
- GC Emergency Response Center - \$10,000
- GCIC Scheduled Physicians - \$5,000
- Camden County – \$5,000
- Camden County Health Services– \$25,000 GL & \$50,000 PL
- Camden County Municipal Utilities Authority – Not Applicable
- Camden County Board of Social Services – Not Applicable
- Camden County College – \$5,000
- Camden County Pollution Control Finance Authority – Not Applicable
- Camden County Improvement Authority – Not applicable
- Burlington County - \$5,000
- Burlington County Buttonwood Hospital - \$5,000
- Burlington County Scheduled Physicians - \$5,000
- New Member Entity Effective Dates:
 - Cumberland County Outpatient Clinic – 10/4/12 -\$50,000
 - Cumberland Juvenile Detention Center (Nurses) – 7/17/13-\$50,000
 - Salem County Department of Health Clinic – 10/15/12-\$5,000

Employed Lawyers Professional Liability

This coverage is purchased through the commercial market and provides coverage per claim for \$5,000,000 and in the annual aggregate for \$10,000,000. The following member self-insured retentions apply:

- Gloucester County \$25,000
- Camden County \$50,000
- Camden County College: \$25,000
- Camden County Utilities Authority: \$25,000
- Camden County Board of Social Services: \$25,000
- Union County (including the hospital): \$25,000
- Cumberland County \$25,000 effective 2/22/13

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Fund is required by N.J.S.A. 11:15-2.6 to maintain the following minimum insurance coverage:

1. A fidelity bond for all persons handling Fund assets.
2. A surety bond for the claims administrator.
3. Errors and omissions coverage for any servicing organization who negotiates excess insurance or reinsurance on behalf of the Fund.

Review of coverage in effect revealed at December 31, 2013 the Fund maintained fidelity bond coverage as required by their contracts.

ACCOUNTS AND RECORDS

The record keeping of the Fund is comprised of three areas as follows:

1. PERMA handles all of the processing of the general ledger and the accounts payable functions. The system used to control these functions is the MAS 90 Accounting Software which is a product of State of the Art, Inc. This system produces a cumulative general ledger, whereby all of the activity in an account is recorded together with its current balance. The accounts payable function under this system produces a history of payments made to individual vendors with amounts outstanding.
2. The Treasurer of the Fund is responsible for the tracking of cash and investments. PERMA developed a tracking system for both of these areas and supplied it to the Treasurer to use. This system uses Microsoft Excel and allows for the tracking of both cash and investment activity.
3. The third party administrators are responsible for the tracking of all claim activity.

The accounting procedures are based on fund accounting, whereby; all financial activity is allocated to the fund year to which it relates.

Pursuant to N.J.S.A. 18A: 18B-1, N.J.A.C. 11:15-5.1 and the Fund's By-laws, an annual audit was performed by an independent certified public accounting firm Bowman and Company and an audited report was filed with the Commissioner of the Department of Banking and Insurance.

FINANCIAL STATEMENTS

Comparative Balance Sheet as of December 31, 2013 and 2012

Comparative Statement of Revenue, Expenses and Changes in Fund Equity as of December 31, 2013 and 2012

EXHIBIT I

COMPARATIVE BALANCE SHEET FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 7,954,903	\$ 6,497,779
Contributions Receivable	2,620	325,080
Refund Receivable	37,666	-
Prepaid Expenses	1,854,228	45,309
Total Assets	9,849,417	6,868,168
<u>LIABILITIES</u>		
Case Reserves	759,995	1,586,108
IBNR Reserves	5,913,932	3,911,756
Total Reserves	6,673,927	5,497,864
Accrued Administrative Expenses	20,389	14,979
Accrued Excess Insurance	4,933	5,509
Due to Member	54,696	29,457
Authorized Return of Surplus	424,360	-
Total Non-Claim Liabilities	504,378	49,945
Total Liabilities	7,178,305	5,547,809
<u>NET POSITION</u>		
Net Statutory Surplus - Unrestricted	2,671,112	1,320,359
Total Liabilities and Surplus	\$ 9,849,417	\$ 6,868,168

EXHIBIT II

COMPARATIVE STATUTORY INCOME STATEMENTS FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUE</u>		
Regular Contributions	\$ 13,006,029	\$ 10,894,133
Total Operating Revenue	<u>13,006,029</u>	<u>10,894,133</u>
<u>EXPENSES</u>		
Provision for Claims and Claims Adjustment Expenses	1,374,001	2,955,477
Excess Insurance Premiums	5,601,367	4,168,463
Ancillary Insurance Premiums	3,183,605	2,781,870
<u>Administrative Expenses:</u>		
Actuary	20,206	20,000
Attorney	15,000	7,500
Auditor	20,035	2,293
Claims Administrator	12,000	11,000
Fund Administrator	348,645	301,005
Miscellaneous Expenses	6,359	2,231
Safety Director	228,001	206,879
Treasurer	15,000	15,000
Underwriting Managers	258,271	219,349
Total Expenses	<u>11,082,490</u>	<u>10,691,067</u>
Operating Income (Loss)	<u>1,923,539</u>	<u>203,066</u>
<u>NON-OPERATING REVENUE/EXPENSE</u>		
Investment Income	34,765	45,923
Return of Surplus	-	-
Change in Net Position	<u>1,958,304</u>	<u>248,989</u>
Net Position - Beginning of Year	1,320,359	1,071,370
Less: Distribution to Participating Members	(607,551)	-
Net Position - End of Year	<u>\$ 2,671,112</u>	<u>\$ 1,320,359</u>

CASE RESERVES/IBNR

The IBNR reserve reported by the Fund at December 31, 2013 was \$5,913,932 and the case reserves at December 31, 2013 were \$759,995. A review by an actuary from the New Jersey Department of Banking and Insurance indicated the IBNR reserve established by the Fund was reasonable.

Data supporting the Fund's actuarial calculation was reconciled to supporting records. During this review samples of paid and outstanding losses were traced to claim files without exception.

Acknowledgement

The examination was completed at the office of the Fund's Executive Director, PERMA Risk Management Services (PERMA) 9 Campus Drive, Suite 216, New Jersey 07054. The courteous cooperation extended to the examiners by Fund Management is acknowledged.

Respectfully submitted

A handwritten signature in cursive script, reading "Nancy Lee Chice".

Nancy Lee Chice,
CFE Insurance Examiner

NEW JERSEY COUNTIES EXCESS JOINT INSURANCE FUND

I, Nancy Lee Chice, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2013 to the best of my information, knowledge and belief.


Respectfully Submitted,



Nancy Lee Chice CFE
Examiner-In-Charge
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 4th day of November 2015


Notary Public of New Jersey

My commission expires: July 2020