



**Somerset County
Joint Insurance Fund**

**2017
RISK
MANAGEMENT
PLAN**



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PERILS OR LIABILITY TO BE INSURED AGAINST

The SCJIF, either directly or through outside commercial insurers and /or reinsurers provides Commercial General Liability, Law Enforcement Liability & Emergency Responder Liability, Employee Benefits Liability, Automobile Liability, Property, Inland Marine; Mobile Equipment, Boiler & Machinery; Automobile Physical Damage (specified and scheduled vehicles only), Workers' Compensation and Employer's Liability, Public Entity & Employment Practices Liability, Educator's Legal & Employment Practices Liability, Educator's Medical Professional Liability, Student Blanket Professional Liability, Non-Owned Aircraft Liability, specified and scheduled Owned Drones, Crime Coverage and Pollution Liability.

When insurance is provided by a commercial insurer and/or reinsurer the sole coverage available to the local unit is as provided by the commercial insurer and/or reinsurer and not by the SCJIF.

The insurer establishes the terms and conditions of coverage. Coverage limits and the deductible are negotiated with the insurer selected each year, based upon availability, costs, and other insurance marketplace conditions.

COVERAGE AND LIMITS PROVIDED

I. **Third Party Liability and Workers' Compensation**

The Somerset County Joint Insurance Fund provides the following coverage:

- General Liability, including Law Enforcement Liability and Emergency Responder Liability and Employee Benefits Liability
- Automobile Liability
- Workers' Compensation, including U.S. Longshore and Harbor Workers, Jones Act and Employer's Liability

The coverage is written in layers:

A. FIRST LAYER - General Liability & Auto Liability:

The SCJIF participants shall retain the first \$250,000 Ultimate Net Loss per Occurrence regardless of the number of lines of insurance or the number of SCJIF members involved.

B. SECOND LAYER - General Liability & Auto Liability:

The Reinsurer shall then be liable, as respects each Member, for the amount by which such Ultimate Net Loss exceeds the retention of the SCJIF but in no event shall the liability of the Reinsurer exceed \$4,750,000 Ultimate Net Loss per Member per Occurrence regardless of the number of lines of business or coverages involved.

Notwithstanding the paragraph above, it is understood and agreed between the parties hereunder that the Reinsurer's maximum limit of liability to the SCJIF for any one Loss Occurrence involving more than one Member shall in no event exceed \$9,750,000 Ultimate Net Loss, regardless of the number of lines of business or coverages involved.

CLASH COVERAGE:

If a loss involves more than one Line of Business and/or Coverage in the same Occurrence and/or Claim, the Reinsurer shall be liable for the difference between the sum of all applicable Group Underlying Retentions involved in such loss and/or claim and the largest Group Underlying Retention; however, the Reinsurer's limit of liability shall not exceed \$250,000 Ultimate Net Loss for such loss and/or claim, regardless of the number of lines of business and/or coverages involved. This limit is in addition to the limits stated above. The intent being that Reinsured shall only be liable for the largest line of business and/or coverage Group Underlying Retention in such loss and/or claim.

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- A. FIRST LAYER - Workers' Compensation and Employer's Liability:
SCJIF SELF-INSURED RETENTION LAYER:
The SCJIF participants shall retain, as respects each Member, the first \$500,000 Ultimate Net Loss per Loss Occurrence.
- B. SECOND LAYER - Workers' Compensation and Employer's Liability:
REINSURANCE LAYER - Workers' Compensation and Employer's Liability:
The Reinsurer shall then be liable, as respects each Member, for the amount by which such Ultimate Net Loss exceeds the per member retention of the SCJIF but in no event shall the liability of the Reinsurer exceed \$250,000 Ultimate Net Loss per Loss Occurrence.
- Notwithstanding the paragraph above, it is understood and agreed between the parties hereunder that the Reinsurer's maximum limit of liability to the SCJIF in the aggregate as respects the sum of all Loss Occurrences during the annual term of this agreement shall not exceed \$2,500,000 Ultimate Net Loss, regardless of the number of Members involved.
- C. THIRD LAYER - Workers' Compensation and Employer's Liability:
SCJIF SELF-INSURED RETENTION LAYER:
The SCJIF participants shall retain, as respects to each member, the next \$250,000 Ultimate Net Loss per Loss Occurrence excess of the resulting \$750,000. Ultimate Net Loss per Loss Occurrence limit.
- D. FOURTH LAYER - Workers' Compensation and Employer's Liability:
REINSURANCE LAYER:
The Excess Workers' Compensation Insurer provides the difference between the resulting \$1,000,000 Ultimate Net Loss per Loss Occurrence limit and the Maximum Limit of Indemnity Per Occurrence being Statutory as to Workers' Compensation and a \$2,000,000 excess limit as to Employer's Liability.

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- A. FIRST LAYER - Excess Liability:
The SCJIF jointly purchases an excess annual limit of liability insurance [aggregate where applicable] in an amount of *five million (\$5,000,000) dollars* combined single limit per occurrence/accident excess of *primary layers above*.
- B. SECOND LAYER - Excess Liability:
The SCJIF jointly purchases an excess annual limit of liability insurance [aggregate where applicable] in an amount of *ten million (\$10,000,000) dollars* combined single limit per occurrence/accident excess of *five million (\$5,000,000) dollars and primary layers above*.

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- II. Non-Owned Aircraft Liability** \$5,000,000 each incident/ \$5,000,000 policy aggregate
Non-owned and hired fixed wing, helicopter, drone and hot air balloon liability

Unmanned Aircraft Aviation Liability \$1,000,000 – Scheduled & specified drones

- III. The SCJIF provides coverage for real and personal property, and boiler & machinery.**

The SCJIF participants jointly purchase excess property coverage (including boiler & machinery coverage) from a commercial insurer with the following limits:

Property:

Blanket Building & Contents, including Inland Marine, EDP & Valuable Papers	\$150,000,000	Loss Limit in any one occurrence
Automobile Physical Damage	\$ 10,000,000	Loss Limit in any one occurrence
Mobile Equipment	\$ 5,000,000	Loss Limit in any one occurrence

Sublimits:

Boiler & Machinery/Equipment Breakdown	\$100,000,000	Loss Limit in any one occurrence
Expediting	\$ 100,000	
Hazardous Substance	\$ 100,000	
Spoilage	\$ 100,000	
Building Glass Repairs	Included in Loss Limit	
Business Income	\$ 40,100,000	
Loss of Rents	\$ 150,000	
Extra Expense	\$ 4,000,000	
CFC Refrigerants	Included in Equip Breakdown Limit	
Earthquake	\$ 15,000,000	
Exhibition	\$ 500,000 (per occurrence)	
Fine Arts	\$ 2,000,000 (per occurrence)	
	\$ 500,000 maximum any one item	
Flood	\$ 15,000,000	except *
Newly Acquired Property		
Physical Damage & Time Element	\$ 2,500,000	
New Construction or Renovation		
@ Scheduled Premises	\$ 1,000,000	
except frame	\$ 250,000	
Non-Owned Detached Trailers	\$ 100,000	per trailer
Ordinance or Law	\$ 2,000,000	
Sewer & Drain Backup	Included in Loss Limit	
Transit	\$ 250,000	
Unnamed Locations		
Physical Damage & Time Element	\$ 200,000	
Utility Interruption	\$ 2,000,000	
Water Damage	Included in Loss Limit	

*See flood limits on page seven

Note: There is no terrorism exclusion under the property policy.

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Deductibles:

Property \$ 25,000 (Except \$100,000 on specified Appraised and Scheduled High-Value Emergency Vehicles)

- **No per member specific deductible applies to entities for covered property losses other than flood.**
- **Member entity deductibles for a covered flood loss are listed below.**

Business Income/Extra Expense

24 hour waiting period if loss is due to a covered utility service interruption

*Flood Limits are as follows:

\$15,000,000	Except
\$ 2,500,000	For any one loss for property(s) located in Zone B, X (Shaded) and X-500 as designated under the National Flood Insurance Act.
\$ 1,000,000	For any one loss for property(s) located in Zone A as classified under the National Flood Insurance Act.
\$10,000,000	Applicable to County of Somerset Recycling Center located at Polhemus Lane in Bridgewater, NJ.

Deductible:

\$ 25,000	Except
\$ 50,000	Applicable to any one loss for property(s) located in Zone B, X (Shaded) and X-500 as designated under the National Flood Insurance Act.
\$ 500,000**	As respects any property(s) located in Zone prefixed by "A" by the National Flood Insurance Act, the applicable deductible shall be the maximum limit(s) available from the National Flood Insurance Act whether or not the coverage is purchased. ** National Flood Insurance Act maximum limit(s) subject to change at any time.

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IV. Crime Coverage

Employee Theft	\$ 1,000,000
Forgery or Alteration	\$ 1,000,000
Inside the Premises (Theft of Money & Securities)	\$ 1,000,000
Outside the Premises	\$ 1,000,000
Computer Fraud	\$ 1,000,000
Funds Transfer Fraud	\$ 1,000,000
Money Orders & Counterfeit Paper Currency	\$ 1,000,000
Faithful Performance of Duty	\$ 1,000,000
<u>Deductible:</u>	\$ 25,000

- The Fund is responsible for the first twenty-five thousand (\$25,000) dollar deductible per occurrence. **No per member specific deductible applies to the entities.**

V. Public Entity Liability, (including Enhanced Network Security and Cyber Extortion), Educator's Legal Liability, Educator's Medical Professional Liability and Student Blanket Professional Liability Coverages.

The SCJIF shall purchase on behalf of individual participant's liability coverage on an as needed basis.

The insurer establishes the terms and conditions of coverage. The individual participant's coverage limits and the deductibles are negotiated with the insurer selected each year, based upon availability, costs, and other insurance marketplace conditions.

- Member's specific deductibles are set forth in the coverage document and insurance policies located on the SCJIF website.

VI. Pollution Liability

The SCJIF participants jointly purchase site-specific pollution liability coverage from a commercial insurer with the following limits:

\$1,000,000 each incident/ \$10,000,000 policy aggregate
Deductible \$25,000 each incident per entity

NOTE: I. C. & D. (Page 5) Excess Liability Insurance does not apply over Pollution Liability coverage.

EXCESS INSURANCE AND/OR REINSURANCE

- I. A. The SCJIF shall secure excess insurance or reinsurance in an amount and by an insurance company acceptable to the Commissioners, if commercially available and not unreasonably priced as determined by the Fund's Executive Committee, and as approved by the Department of Banking & Insurance and the Department of Community Affairs.
- B. The SCJIF shall secure excess insurance or reinsurance or may establish loss contingency funds in accordance with the regulations adopted by the Department of Banking & Insurance.

CLAIM RESERVING PRACTICES

The general reserving philosophy is to set reserves based upon what the probable total claim cost will be at its conclusion.

A dollar reserve is established as an estimate of exposure on each claim. This figure is based upon the severity of the damages, the degree of liability and an estimate of the cost of claim expenses. These figures are monitored regularly and updated according to any new information that suggests an increase or decrease in potential payment.

Whenever an investigation indicates that prompt, fair, and equitable settlement of a claim is appropriate and possible, the claims servicing organization shall submit to the Fund Commissioners and to the administrator for review at a Fund Commissioners (or Executive Committee) meeting, a notice of recommended settlement except for claims within the reserves previously established by resolution approved by the Fund. This notice shall be on forms approved by the Fund Commissioners (or Executive Committee) and shall provide information about the claim, a summary of investigative work concerning the merits of the claim, and the reasons underlying the recommended settlement. The form may also include recommendations concerning the legal liability of the Fund.

Claim reserves are subject to regular review by the SCJIF's Claims Servicing Organization, Administrator, Actuary, Attorney, and the Executive Committee.

PROCEDURES GOVERNING LOSS ADJUSTMENT & LEGAL FEES
APPLICABLE TO ALL TYPES OF CLAIMS

I. Loss Adjustment

The Executive Director/Administrator contracts with a claims servicing organization to receive incident reports, notices of claims, and other related information.

The claims servicing organization will, under contract to the Executive Director/Administrator/Third Party Administrator, perform the following:

- A. Review each claim and loss report submitted by the participants during the term of this contract.
- B. Conduct an investigation of each qualified claim or loss to the extent deemed necessary.
- C. Maintain a file for each qualified claim or loss which shall be available for review by the SCJIF.
- D. Adjust, settle, or resist all qualified claims or losses:
 1. within the stated discretionary settlement authority limit (\$75,000);
 2. with specific approval of the SCJIF, if outside the stated authority limit.
- E. Perform necessary and customary administrative and clerical work in connection with each qualified claim or loss, including the preparation of checks or vouchers, releases, agreements, and other documents needed to finalize a claim.
- F. Establish and update claim reserves as needed.
- G. Notify SCJIF and the SCJIF reinsurers as designated by the SCJIF, of all qualified claims or losses which may exceed the SCJIF's retention or limit and, if requested, provide information on the status of those claims or losses.
- H. Coordinate investigations on litigated claims with attorneys representing the SCJIF and with representatives of the reinsurers, as required. This includes the negotiation of settlements and preparation of subrogation and contribution actions.
- I. Review large and unusual claims.
- J. Maintain an automated loss and information system, and provide the SCJIF with reports.

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- K. Provide forms needed to administer the SCJIF claim program.
- L. Assist the SCJIF in selecting appropriate experts or specialists, as the claims may require.
- M. Provide personnel needed to perform the services agreed to herein.
- N. Maintain 24-hour emergency telephone service for claims reporting.
- O. Acknowledge receipt of each claim.
- P. Assist the SCJIF in the filing of periodic reports required by state or administrative regulation.

II. Legal Fees

The SCJIF realizes that not every claim may reach an amicable solution. Careful selection and control of claims and claims defense is very important.

The SCJIF has established procedures to provide quality defense of claims and monitor the defense procedures and costs. The procedures include:

- A. A list of approved Defense Attorneys.

The list will include Attorneys with previous experience with Workers' Compensation and/or Title 59, and the Commissioners or the Executive Committee shall approve a fee structure considered to be reasonable.

- B. Monitoring the activities of the Defense Attorneys.

The Claims Servicing Organization will supervise all legal defense activity and experts.

The SCJIF Attorney may direct the amount of legal discovery in an effort to control costs.

ASSESSMENT PROCEDURES

I. Annual Assessment

- A. By November 15th of each year, the Actuary will compute the probable net cost for the upcoming Fund year by line of coverage and for each prior year.
- B. The annual assessment of each participant will be its pro-rata share of the probable net cost for the upcoming year for each line of coverage.
- C. The total amount of each participant's annual assessment will be certified by majority vote of the Executive Committee to the governing body of each participating local unit at least one (1) month prior to the beginning of the next fiscal year.
- D. The annual assessment will be due the Fund in *two* installments as determined by the final budget as approved by the Fund Commissioners.
- E. In the event that any assessment is not paid within *ten (10)* days of the due date set forth above, the local unit shall pay interest on the unpaid balance commencing on the *tenth* day after the due date. The interest rate shall be set annually by the Fund Commissioners or the Executive Committee, as the case may be, at the beginning of each year or at such other time as the Fund Commissioners or Executive Committee may determine.
- F. Each participant's assessment will be deposited 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.
- G. If a public entity becomes a participant of the SCJIF or elects to participate in a line of coverage after the start of the Fund year, such participant's assessments and supplemental assessment will be reduced in proportion to that part of the year which has elapsed.

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II. Supplemental Assessments

- A. The Fund Commissioners will, by majority vote of the total membership, levy upon the participants additional assessments whenever needed or so ordered by the Commissioner of Banking & Insurance to supplement the Fund's claim, loss retention or administrative accounts, to assure the payments of the Fund's obligation.
1. Supplemental assessments shall be charged to the participants for the applicable "Fund Period" and will be apportioned in relation to the assessment for that "Fund Period".
 2. All participants will be given thirty (30) days advance notice of the SCJIF's intention to charge an additional assessment. The SCJIF will conduct a hearing before adopting the supplemental assessment.
 3. Participants will have sixty (60) days to pay the SCJIF from the date the supplemental assessment is adopted.
- B. The SCJIF will submit to the Commissioner of Banking & Insurance and the Commissioner of Community Affairs a report of the cause of the Fund's insufficiency, the assessment necessary to replenish it, and the steps taken to prevent a recurrence of such circumstances.
- C. If the Actuary has cause to believe there will be a shortfall in any of the SCJIF's accounts, he/she shall notify the SCJIF at least ninety (90) days prior to such anticipated shortfall. The SCJIF shall implement the procedure set forth above or take such other action permissible by law to meet such shortfall.

Should any participant fail or refuse to pay its assessment or supplemental assessments, or should the SCJIF fail to assess funds required to meet its obligations, the Chairman, or in the event of his or her failure to do so, the Custodian of Funds, shall notify the Commissioner of Banking & Insurance and the Department of Community Affairs.

Insolvency and/or bankruptcy of a participant does not release the SCJIF or any participant of the SCJIF of joint and several liability for payment of any claim incurred by the participant during its period of membership, including, but not limited to, being subject to and liable for supplemental assessments.

NOTES

1. Coverage documents and policies & procedures, which detail coverage and specific retention or deductibles provided by the Fund, are made available to each participant of the SCJIF on the SCJIF website.
2. General Liability, Law Enforcement & Emergency Responder Liability, and Automobile Liability insuring agreements are provided on an “occurrence form”.
3. Public Entity & Employment Practices Liability and Educator’s Legal & Employment Practices Liability insuring agreements are written on a “claims made form”.
4. Coverage and limits of protection depicted are as of the date of this Risk Management Plan. It is expected that the insurance program will be modified over time and the specifics of the insurance program, including changes, will be reflected in the coverage documents adopted annually by the participants.
5. Mandatory participation is required for all coverage parts specified in this Risk Management Plan excepting where waived by the Fund Commissioners.