

MORRIS ESSEX INSURANCE GROUP

THURSDAY, MARCH 17, 2016

AGENDA

I. Roll Call

II. Approval of the December 10, 2015

- **MOTION TO APPROVE THE MINUTES OF DECEMBER 10, 2015**
MOVED:
SECOND:
VOTE:

III. Treasurer's Report

A. Approval of the Treasurer's Report and Bills List

- **MOTION TO APPROVE TREASURER'S REPORT and BILLS LIST FOR December 2015, JANUARY, AND FEBRUARY 2016**
MOVED:
SECOND:
VOTE:

B. Interim Audit, December 31, 2015

- **MOTION TO APPROVE THE DECEMBER 31, 2015 INTERIM AUDIT PREPARED BY OUR TREASURER AND TO FILE WITH THE DEPARTMENT OF BANKING AND INSURANCE**
MOVED:
SECOND:
VOTE:

- IV. **Executive Director's Report**
 - A. **Workers Compensation, Paid and Reserved**
 - B. **Payroll Audit 2014-2015 Completed**
 - **Additional Assessments Due by April 30, 2016**
 - C. **2016-2017 Draft Estimated WC Assessment**
 - D. **Update on 15 Year Surplus History – (Distributed at the Meeting)**
 - E. **Update on Renewal Resolutions**

- V. **Nisivoccia & Company**
 - **Return of Surplus for 2016**
 - ***MOTION TO APPROVE RETURN OF SURPLUS IN THE AMOUNT OF \$802,364, FOR 2016, PENDING THE APPROVAL OF THE DEPARTMENT OF BANKING AND INSURANCE AND OUR ACTUARY***
 - MOVED:***
 - SECOND:***
 - VOTE:***

- VI. **First MCO**
 - A. **Review of Third Quarter Reports**

- VII. **Safety**
 - A. **Michael Halik, Chair and Mike Berta, Safety Consultant**

- VIII. **OLD Business**

Website:
www.NJMEIG.org

- IX. **New Business**
 - **PRIMA – Atlanta, GA, June 5th to 8th**
 - **MEIG sends up to 2 Members**
 - **Working with Morris Vo Tech on All Lines Proposal**
 - **Department of Insurance Audit – March 21, 2016**

- X. **Meeting Adjourned**

**MORRIS ESSEX INSURANCE GROUP
MINUTES
BOARD OF TRUSTEES MEETING
December 10, 2015**

 The December 10, 2015 Board of Trustees meeting of the Morris Essex Insurance Group was called to order 12:00 Noon, by the Chairperson, Doug Pechanec, at Casa Bella in Denville, NJ

ROLL CALL OF TRUSTEES:

| | | |
|--|---|---|
| CHAIRPERSON, Doug Pechanec | WEST MORRIS REGIONAL | PRESENT |
| VICE CHAIRPERSON Liz George | WASHINGTON TWSP | PRESENT |
| SECRETARY, Vanessa Wolsky | HANOVER TWSP | PRESENT |
| Susan Young John Esposito Cheryl Nardino Catarina Bilotta | MCS of TECHNOLOGY LONG HILL TOWNSHIP VERONA BOARD ED SERVICES OF MO CO | PRESENT PRESENT PRESENT ABSENT |

MEMBERS

| | | |
|--------------------------|-----------------------------|----------------|
| CATHERINE JENISCH | DOVER BOARD | PRESENT |
| JASON M. BOHM | ROSELAND BOARD | PRESENT |
| PETER CAPRIO | GLEN RIDGE BOARD | ABSENT |
| PAM HINMAN | WEST ESSEX REGIONAL | PRESENT |
| MELISSA SIMMONS | MINE HILL BOARD | PRESENT |
| THOMAS KRYGER | MENDHAM TWSP | ABSENT |
| ROBIN TEDESCO | MT. ARLINGTON BOARD | PRESENT |
| DANIEL BORGO | MT. LAKES BOARD | ABSENT |
| AMY BARKMAN | MORRIS PLAINS BOARD | PRESENT |
| MICHAEL HALIK | NORTH CALDWELL BOARD | PRESENT |
| GARY LANE | MADISON BOARD | PRESENT |

FUND PROFESSIONALS PRESENT

| | |
|---------------------------|----------------------|
| EXECUTIVE DIRECTOR | Debra Ginetto |
| TREASURER | Absent |
| INSERVCO | Nancy Fowlkes |
| SAFETY | Michael Berta |
| FIRST MCO | Kelly Royce |
| Willis | John Moore |
| AUDITOR | Bud Jones |
| ATTORNEY | John Tort |

OTHERS PRESENT

None

**MOTION TO APPROVE THE MINUTES OF THE October 15, 2015
BOARD OF TRUSTEES MEETING**

| | |
|----------------|----------------------|
| MOVED: | Gary Lane |
| SECOND: | John Esposito |
| VOTE: | UNANIMOUS |

**MOTION TO APPROVE THE TREASURER'S REPORT AND BILLS LIST FOR
October through November, 2015**

| | |
|----------------|----------------------|
| MOVED: | John Esposito |
| SECOND: | Sue Young |
| VOTE: | UNANIMOUS |

EXECUTIVE DIRECTOR'S REPORT

The Executive Director reported on the Paid and Reserved Claims in the Agenda. Excluding 2015, last 5 years continue to look good. Total paid/reserve of \$4,934,232 against a Loss Fund Total of \$13,376,651 which is an average 63% potential return. Audit information due by December 21st so the Fund can have their experience modifications calculated by February 2016.

Reminder that 2nd WC Installment is due by January 10, 2016.

Recommendations for budgeting WC for 2016 was discussed. A 6% starting point was recommended until the new experience mods are calculated.

New WC Rates for 2016: Professional increased from \$1.69 per \$100 of payroll to \$1.70 (1%) and Non-Professional increased from \$10.78 per \$100 of payroll to \$11.69. (8.4%) Weekly benefit as of 1/1/2016 increasing from \$855 week to \$871.

Renewal Resolutions and the Trust and Indemnity Agreement were emailed to everyone. April 1, 2016 all Resolutions are due back. Fund was divided into 1, 2 and 3 Year Renewal commitments until everyone is on a 3 Year staggered cycle.

NISIVOCCIA & COMPANY

Bud Jones reviewed the June 30, 2015 Audit and Management Report. Both reports were sent out electronically to everyone.

- **Motion to Approve the June 30, 2015 Audit and file with the Department of Banking and Insurance**

| | |
|----------------|------------------------|
| MOVED: | Liz George |
| SECOND: | Melissa Simmons |
| VOTE: | UNANIMOUS |

FIRST MCO

Reports were emailed to each member before the meeting. Kelly gave her report on savings and timely reporting of WC claims.

SAFETY COMMITTEE REPORT

Reminder to post OSHA Log 300 February

Committee will continue to work on a seminar for CE credits

WILLIS

John Moore gave a conservative Budget Projection for 2016 for All Lines of 5%

OLD BUSINESS

None

NEW BUSINESS

None

MOTION TO ADJOURN MEETING

| | |
|----------------|----------------------|
| MOTION: | John Esposito |
| SECOND: | Liz George |
| VOTE: | UNANIMOUS |

MEETING ADJOURNED: 1:30 PM

Doug Pechanec

Chairperson

Date

MEIG 12/10/2015

REPORT OF THE TREASURER OF THE BOARD OF DIRECTORS
MORRIS ESSEX INSURANCE GROUP
FOR THE PERIOD: December 1, 2015 through February 29, 2016

| | | Cash Report | | | |
|-------------------------------|--------|------------------------|------------------------|----------------------|-------------------------|
| | | Beginning Cash | Cash | | Ending Cash |
| | | Balances | Receipts | Disbursements | Balances |
| Operating Funds: | | | | | |
| TD Bank(Checking) | (2651) | \$ 3,741,309.14 | \$ 1,334,339.58 | \$ 347,286.40 | \$ 4,728,362.32 |
| Valley Bank | (5266) | 6,055,736.84 | 5,175.77 | | 6,060,912.61 |
| New Jersey Cash Management | (5171) | 70,159.75 | - | | 70,159.75 |
| Subtotal | | 9,867,205.73 | 1,339,515.35 | 347,286.40 | 10,859,434.68 |
| Claim Imprest Account: | | | | | |
| TD Bank(Claims) | (2669) | - | 200,704.08 | 200,704.08 | - |
| Total All Accounts | | <u>\$ 9,867,205.73</u> | <u>\$ 1,540,219.43</u> | <u>\$ 547,990.48</u> | <u>\$ 10,859,434.68</u> |

Prepared and Submitted by:

Jon Rheinhardt, Treasurer

Date

MORRIS ESSEX INSURANCE GROUP

BILL LIST

From: **December 1, 2015**

To: **February 29, 2016**

CLAIM CHECKS:

| | | <u>Check #</u> | | <u>Amount</u> |
|------------|---------------------------|----------------|-------|-------------------|
| 12/1/2015 | Inservco Processed Claims | 28742 | 28778 | 19,621.58 |
| 12/15/2015 | Inservco Processed Claims | 28779 | 28838 | 28,351.99 |
| 12/28/2015 | Inservco Processed Claims | 28839 | 28892 | 34,578.55 |
| 1/11/2016 | Inservco Processed Claims | 28893 | 28931 | 20,676.59 |
| 1/26/2016 | Inservco Processed Claims | 28932 | 28977 | 39,093.08 |
| 2/8/2016 | Inservco Processed Claims | 28978 | 29024 | 22,481.79 |
| 2/23/2016 | Inservco Processed Claims | 29025 | 29024 | 35,900.50 |
| | Subtotal (Claims) | | | <u>200,704.08</u> |

OPERATING CHECKS:

| | | | |
|------------|-----------------------------|------|--------------------------|
| 12/1/2015 | Aero Environmental | 1105 | 5,852.64 |
| 12/1/2015 | Atlantic Health System | 1106 | 1,300.00 |
| 12/1/2015 | FMCO | 1107 | 10,120.66 |
| 12/1/2015 | Inservco Insurance Services | 1108 | 16,895.00 |
| 12/1/2015 | Jon Rheinhardt | 1109 | 1,289.00 |
| 12/1/2015 | Zurich North America | 1110 | 3,533.88 |
| 12/28/2015 | Atlantic Health System | 1111 | 1,040.00 |
| 12/28/2015 | FMCO | 1112 | 10,120.66 |
| 12/28/2015 | Jon Rheinhardt | 1113 | 1,289.00 |
| 12/28/2015 | Nisivoccia LLP | 1114 | 18,500.00 |
| 12/28/2015 | O'Neil Consulting | 1115 | 6,600.00 |
| 2/16/2016 | Atlantic Health System | 1116 | 2,600.00 |
| 2/16/2016 | Burton Agency | 1117 | 27,703.50 |
| 2/16/2016 | FMCO | 1118 | 20,241.32 |
| 2/16/2016 | Jon Rheinhardt | 1119 | 2,578.00 |
| 2/16/2016 | DocuSafe Records Management | 1120 | 23.66 |
| 2/16/2016 | Inservco Insurance Services | 1121 | 16,895.00 |
| | Subtotal (Operating) | | <u>146,582.32</u> |
| | Grand Total all Payments | | <u><u>347,286.40</u></u> |

MORRIS ESSEX INSURANCE GROUP
STATEMENT OF NET ASSETS
DECEMBER 31, 2015

ASSETS:

Assets:

| | |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 10,439,389 |
| Assessments Receivable | 608,239 |
| Reinsurance Receivable | <u>24,801</u> |

Total Assets 11,072,429

LIABILITIES:

Liabilities:

| | |
|--|------------------|
| Accounts Payable - Vendors | 60,100 |
| Net Assets Distribution Payable to Participating Members | 3,282 |
| Deferred Revenue | 1,333,650 |
| Loss Reserves | <u>2,862,309</u> |

Total Liabilities 4,259,341

NET ASSETS:

Unrestricted 6,813,089

Total Net Assets \$ 6,813,089

MORRIS ESSEX INSURANCE GROUP
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | |
|--|--------------|
| Operating Revenue: | |
| Assessments from Participating | |
| School Districts - Workers Compensation | \$ 1,333,650 |
| School Districts - All Lines Coverage | 733,956 |
| | <hr/> |
| Total Operating Revenue | 2,067,606 |
| | <hr/> |
| Operating Expenses: | |
| Provision for Claims and Claim Adjustment Expenses | 195,370 |
| Insurance Premiums - Workers Compensation | 274,886 |
| Insurance Premiums - All Lines | 690,770 |
| Executive Director | 27,704 |
| Risk Management | 34,360 |
| Treasurer | 7,734 |
| Audit | 18,500 |
| Safety Management | 5,853 |
| Managed Care Organization | 60,724 |
| Administrative Expenses | 24,584 |
| Claims Administrative Fees | 33,790 |
| | <hr/> |
| Total Operating Expenses | 1,374,274 |
| | <hr/> |
| Operating Income | 693,332 |
| Non-operating Revenue: | |
| Investment Income | 17,132 |
| | <hr/> |
| Increase in Net Assets | 710,464 |
| Net Assets - June 30, 2015 | 6,102,625 |
| | <hr/> |
| Net Assets - December 31, 2015 | \$ 6,813,089 |
| | <hr/> <hr/> |

MORRIS ESSEX INSURANCE GROUP
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS BY FUND YEAR
FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | Fund Year | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1984-1985 | 1985-1986 | 1986-1987 | 1987-1988 | 1988-1989 | 1989-1990 | 1990-1991 |
| Operating Revenue: | | | | | | | |
| Assessments from Participating | | | | | | | |
| School Districts - Workers Compensation | | | | | | | |
| School Districts - All Lines | | | | | | | |
| Total Operating Revenue | | | | | | | |
| Operating Expenses: | | | | | | | |
| Provisions for Claims and | | | | | | | |
| Claim Adjustment Expense | | | | | | | |
| Insurance Premiums - Workers Compensation | | | | | | | |
| Insurance Premiums - All Lines | | | | | | | |
| Executive Director | | | | | | | |
| Treasurer | | | | | | | |
| Audit | | | | | | | |
| Safety Management | | | | | | | |
| Managed Care Organization | | | | | | | |
| Administrative Expenses | | | | | | | |
| Claims Administrative Fees | | | | | | | |
| Total Operating Expenses | | | | | | | |
| Operating Loss | | | | | | | |
| Non-operating Revenue: | | | | | | | |
| Investment Income | \$ 2 | \$ 11 | \$ 1 | \$ 1 | \$ - | \$ 1 | \$ 2 |
| Increase/(Decrease) in Net Assets | 2 | 11 | 1 | 1 | - | 1 | 2 |
| Net Assets - June 30, 2015 | 891 | 4,350 | 235 | 230 | - | 243 | 668 |
| Net Assets - December 31, 2015 | \$ 893 | \$ 4,361 | \$ 236 | \$ 231 | \$ - | \$ 244 | \$ 670 |

MORRIS ESSEX INSURANCE GROUP
 SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS BY FUND YEAR
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | Fund Year | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1991-1992 | 1992-1993 | 1993-1994 | 1994-1995 | 1995-1996 | 1996-1997 | 1997-1998 |
| Operating Revenue: | | | | | | | |
| Assessments from Participating | | | | | | | |
| School Districts - Workers Compensation | | | | | | | |
| School Districts - All Lines | | | | | | | |
| Total Operating Revenue | | | | | | | |
| Operating Expenses: | | | | | | | |
| Provisions for Claims and | | | | | | | |
| Claim Adjustment Expense | | | | | | | |
| Insurance Premiums - Workers Compensation | | | | | | | |
| Insurance Premiums - All Lines | | | | | | | |
| Executive Director | | | | | | | |
| Treasurer | | | | | | | |
| Audit | | | | | | | |
| Safety Management | | | | | | | |
| Managed Care Organization | | | | | | | |
| Administrative Expenses | | | | | | | |
| Claims Administrative Fees | | | | | | | |
| Total Operating Expenses | | | | | | | |
| Operating Income/(Loss) | | | | | | | |
| Non-operating Revenue: | | | | | | | |
| Investment Income | \$ 1 | \$ 2 | \$ 5 | \$ 8 | \$ 22 | \$ 15 | \$ 83 |
| Increase/(Decrease) in Net Assets | 1 | 2 | 5 | 8 | 22 | 15 | 83 |
| Net Assets - June 30, 2015 | 415 | 975 | 1,912 | 3,050 | 8,598 | 5,756 | 32,751 |
| Net Assets - December 31, 2015 | \$ 416 | \$ 977 | \$ 1,917 | \$ 3,058 | \$ 8,620 | \$ 5,771 | \$ 32,834 |

MORRIS ESSEX INSURANCE GROUP
 SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS BY FUND YEAR
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | Fund Year | | | | | | |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1998-1999 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 |
| Operating Revenue: | | | | | | | |
| Assessments from Participating | | | | | | | |
| School Districts - Workers Compensation | | | | | | | |
| School Districts - All Lines | | | | | | | |
| Total Operating Revenue | | | | | | | |
| Operating Expenses: | | | | | | | |
| Provisions for Claims and | | | | | | | |
| Claim Adjustment Expense | | \$ 10,000 | | | \$ 2 | | |
| Insurance Premiums - Workers Compensation | | | | | | | |
| Insurance Premiums - All Lines | | | | | | | |
| Executive Director | | | | | | | |
| Treasurer | | | | | | | |
| Audit | | | | | | | |
| Safety Management | | | | | | | |
| Managed Care Organization | | | | | | | |
| Administrative Expenses | | | | | | | |
| Claims Administrative Fees | | | | | | | |
| Total Operating Expenses | | 10,000 | | | 2 | | |
| Operating Income/(Loss) | | (10,000) | | | (2) | | |
| Non-operating Revenue: | | | | | | | |
| Investment Income | \$ 347 | 29 | \$ 101 | \$ 170 | 118 | \$ 111 | \$ 182 |
| Increase/(Decrease) in Net Assets | 347 | (9,971) | 101 | 170 | 116 | 111 | 182 |
| Net Assets - June 30, 2015 | 137,310 | 11,525 | 39,797 | 67,139 | \$ 46,630 | 43,745 | 71,879 |
| Net Assets - December 31, 2015 | \$ 137,657 | \$ 1,554 | \$ 39,898 | \$ 67,309 | \$ 46,746 | \$ 43,856 | \$ 72,061 |

MORRIS ESSEX INSURANCE GROUP
 SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS BY FUND YEAR
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | Fund Year | | | | | | |
|---|------------|------------|------------|-------------|--------------|------------|--------------|
| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 |
| Operating Revenue: | | | | | | | |
| Assessments from Participating | | | | | | | |
| School Districts - Workers Compensation | | | | | | | |
| School Districts - All Lines | | | | | | | |
| Total Operating Revenue | | | | | | | |
| Operating Expenses: | | | | | | | |
| Provisions for Claims and | | | | | | | |
| Claim Adjustment Expense | | \$ 1 | | \$ (50,000) | \$ (100,000) | | \$ (100,001) |
| Insurance Premiums - Workers Compensation | | | | | | | |
| Insurance Premiums - All Lines | | | | | | | |
| Executive Director | | | | | | | |
| Treasurer | | | | | | | |
| Audit | | | | | | | |
| Safety Management | | | | | | | |
| Managed Care Organization | | | | | | | |
| Administrative Expenses | | | | | | | |
| Claims Administrative Fees | | | | | | | |
| Total Operating Expenses | | 1 | | (50,000) | (100,000) | | (100,001) |
| Operating Income/(Loss) | | (1) | | 50,000 | 100,000 | | 100,001 |
| Non-operating Revenue: | | | | | | | |
| Investment Income | \$ 482 | 550 | \$ 800 | 825 | 613 | \$ 1,423 | 1,771 |
| Increase/(Decrease) in Net Assets | 482 | 549 | 800 | 50,825 | 100,613 | 1,423 | 101,772 |
| Net Assets - June 30, 2015 | 190,924 | 217,532 | 316,785 | 326,430 | 242,675 | 563,169 | 701,098 |
| Net Assets - December 31, 2015 | \$ 191,406 | \$ 218,081 | \$ 317,585 | \$ 377,255 | \$ 343,288 | \$ 564,592 | \$ 802,870 |

MORRIS ESSEX INSURANCE GROUP
 SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS BY FUND YEAR
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2015

| | Fund Year | | | | TOTAL |
|---|------------|------------|--------------|--------------|--------------|
| | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 | |
| Operating Revenue: | | | | | |
| Assessments from Participating | | | | | |
| School Districts - Workers Compensation | | | | \$ 1,333,650 | \$ 1,333,650 |
| School Districts - All Lines | | | | 733,956 | 733,956 |
| Total Operating Revenue | | | | 2,067,606 | 2,067,606 |
| Operating Expenses: | | | | | |
| Provisions for Claims and | | | | | |
| Claim Adjustment Expense | | | \$ (35) | 435,403 | 195,370 |
| Insurance Premiums - Workers Compensation | | | | 274,886 | 274,886 |
| Insurance Premiums - All Lines | | | | 690,770 | 690,770 |
| Executive Director | | | | 27,704 | 27,704 |
| Risk Management | | | | 34,360 | 34,360 |
| Treasurer | | | | 7,734 | 7,734 |
| Audit | | | | 18,500 | 18,500 |
| Safety Management | | | | 5,853 | 5,853 |
| Managed Care Organization | | | | 60,724 | 60,724 |
| Administrative Expenses | | | | 24,584 | 24,584 |
| Claims Administrative Fees | | | | 33,790 | 33,790 |
| Total Operating Expenses | | | (35) | 1,614,306 | 1,374,273 |
| Operating Income/(Loss) | | | 35 | 453,299 | 693,332 |
| Non-operating Revenue: | | | | | |
| Investment Income | \$ 2,476 | \$ 2,405 | 2,866 | 1,713 | 17,132 |
| Increase/(Decrease) in Net Assets | 2,476 | 2,405 | 2,901 | 455,012 | 710,464 |
| Net Assets - June 30, 2015 | 979,898 | 951,844 | 1,134,171 | | 6,102,625 |
| Net Assets - December 31, 2015 | \$ 982,374 | \$ 954,249 | \$ 1,137,072 | \$ 455,012 | \$ 6,813,089 |

