
MORRIS ESSEX INSURANCE GROUP

RISK MANAGEMENT PLAN

FUND YEAR 2020-2021

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The purpose of this document is to highlight major coverage's, limits and sublimit afforded through the Morris Essex Insurance Group. This document is not a policy of insurance and in no way modifies, restricts, expands or in any other way changes the coverage's afforded through the Fund. For actual coverage determination, reference must be made to applicable insuring documents and/or insurance policies. All terms and conditions of coverage are as stated in the applicable insuring documents and/or insurance policies.

MORRIS ESSEX INSURANCE GROUP

RISK MANAGEMENT PLAN

FUND YEAR 2019-2020

I. Introduction

- A. Morris Essex Insurance Group (MEIG) (herein referred to as the Fund) is a Joint Insurance Fund formed under the provisions of N.J.S.A. 18A:18B-1 et. seq. on July 1, 1984 with 14 Charter Members. As of July 1, 2019 the Fund has 17 Members. The Fund was formed to provide availability of insurance to qualified school districts by offering the best coverage at the lowest possible cost and by providing loss control and improved safety for a safer work environment.
- B. The Fund's objectives include the following:
 - 1. Providing qualified educational facilities with a long term alternative to the conventional insurance market as a means of stabilizing the otherwise cyclical nature of insurance expenditures.
 - 2. Improved safety and loss control activities and a safer work environment.
 - 3. The benefits of self-insurance while still protecting against the infrequent catastrophic loss.
 - 4. The stability of reinsurance and benefits of group purchase of insurance.
 - 5. Reduced budgets due to the spread of risk resulting in stability of loss costs.

II. Criteria for Membership

- A. Each prospective member shall meet the requirements for membership set forth in the Fund's Bylaws.
- B. The prospective member's (5) year claims history must show safety performance consistent with the Fund's objectives and the applicant's physical location and make-up must indicate a likelihood of satisfactory future claim performance.
- C. The Fund has the administrative and financial capability to absorb additional memberships without undue inconvenience or strain; and
- D. All primary and excess insurers for the Fund must approve admission of the prospective member.

III. Operational Details

- A. The member local units of the Fund have passed resolutions to become members of this Fund and to authorize the group purchase of primary insurance, excess insurance and re-insurance described herein and to cooperate with each other in safety and loss control activities and to share all expenses of operating the Fund.
- B. Primary insurance and excess liability coverage is provided from commercial insurance companies with A.M. Best Rating of A or better.

- C. The property, automobile liability and physical damage, general liability, crime and boiler and machinery are purchased from a commercial carrier on a group purchase basis.
- D. The School Board Legal is provided on a primary group purchase basis.
- E. The environmental liability coverage is offered on a primary group purchase basis and is optional.
- F. The excess automobile liability and general liability is provided on a primary group purchase basis.
- G. The Fund is composed of the member Boards as shown in the attached list.
- H. The Fund shall purchase loss control and claims adjustment services.
- I. Workers' Compensation Coverage is provided on a self-insured basis with the purchase of reinsurance in excess of the self-insured retention.

IV. Coverage's Provided, Limits of Liability, Self Insured Retentions and Deductibles

A. General

The Fund may offer coverage to its members either directly or through the commercial insurance market, through one or more of the following vehicles:

- Self- Insurance
- Reinsurance
- Joint Purchase Agreement
- Individual Contracts

B. Property

- | | |
|--|---|
| 1. Blanket Buildings and Personal Property | As per Blanket limit on file with the Insurance Company ¹ |
| 2. Member Deductible | \$5,000 Per Occurrence |
| 3. Boiler & Machinery | \$100,000,000 Property Damage |
| 4. Flood – Outside Zone A & V or B | \$5,000,000 Per occurrence/Aggregate/
Per Member/\$50,000 Deductible per Building/\$50,000 Deductible Contents |

Flood: Flood Zone B: \$2,000,000 Per Occurrence/Aggregate/Per Member/\$100,000 Deductible Per building, \$100,000 deductible contents per building. Flood Zone A & V \$1,000,000 Per Occurrence/Aggregate/Per Member /\$500,000 Deductible Per Building for Contents and \$500,000 Per Building ²

¹ Members shall report values annually as required by the Fund and Insurance Company

² Flood coverage's for locations within Federal Flood Zone "A" and "V" and "B" shall apply excess of limits available by the National Flood Insurance Association

5. Earthquake	\$5,000,000 Limit Per Member/5% Deductible
C. Comprehensive General Liability, including Employee Benefits Liability	
1. Limit of Liability	\$1,000,000 Per Occurrence/Per Member \$2,000,000 Annual Aggregate
2. Member Deductible	None
3. Sexual Abuse & Molestation	\$1,000,000 Per Occurrence/Per Member / Annual Aggregate
4. Employee Benefits -Claims Made	\$1,000,000/\$2,000,000 Per Member \$1,000 Deductible
D. Commercial Automobile	
1. Automobile Liability	\$1,000,000 Per Occurrence/ Aggregate/Per Member
2. Comprehensive	\$1,000 Deductible
3. Collision	\$1,000 Deductible
E. Environmental (Optional)	
1. Claims Made	Group Aggregate Limit /\$20,000,000 Aggregate Limit per Named Insured: \$3,000,000
2. Deductible	\$15,000
F. Crime ³	
1. Public Employee Dishonesty	\$500,000 Per Employee/Limit \$5,000 Deductible
2. Forgery or Alteration	\$50,000/\$1,000 Deductible
G. Educator's Legal Liability/Employment Practices Liability	
1. Limit	\$1,000,000 Each Claim \$1,000,000 Aggregate
2. Separate Deductibles	See individual policies for deductibles
➤ School Board Legal	
➤ Employment Practices	
H. Commercial Umbrella	
1. Limit	\$9,000,000
2. Aggregate Limit	\$9,000,000
3. Retention	\$10,000
I. Excess Commercial Umbrella Not-shared (Optional)	
1. Limit	\$30,000,000
2. Aggregate Limit	\$30,000,000
J. Excess Commercial Umbrella Shared (Optional)	
1. Limit	\$25,000,000 Per Occurrence
2. Group Aggregate Limit	\$25,000,000
K. Workers Compensation ⁴ **	
1. WC Limits of Liability	Statutory Benefits as required by the

³ Statutory bond positions are excluded

⁴ All Workers' Compensation Claims shall be subject to managed care

	State of New Jersey
2. Employer's Liability	\$5,000,000 Per Occurrence/Aggregate
3. Fund Specific Self-Insured Retention*	\$500,000
4. Fund Aggregate Attachment	\$6,013,104

*As respects to any one loss and/or accident or disease and/or claim(s) and/or occurrence(s), including suit(s) brought in connection therewith, the Fund's Loss Fund shall not be charged with any amount in excess of \$500,000 as respects to any one loss and/or accident or disease and/or claim(s) and/or occurrence(s), including suit(s) brought in connection therewith.

**The Fund's Self-Insured Workers' Compensation is excess over any other applicable insurance or self-insurance

L. Cyber Liability – (Optional)

V. Operational Philosophy

A. General

This section of the Risk Management Plan is developed to provide general instruction for key areas and providers of service to the Fund. Also included here are sections which restate the roles and responsibilities of important parties and stress the importance of activities upon which the long term success of the Fund will hinge in whole or in part.

B. Claim Reserving Practices for Workers' Compensation

1. MEIG-NJ's reserving philosophy involves establishing adequate reserves based upon the evaluation of the claim. The Fund strives to set reserves to meet the expected total cost of the claim at the time of conclusion. The reserves are set by the Fund's Third Party Administrator along with the Fund's Workers' Compensation Attorney.
2. IBNR (Incurred but not yet Reported) reserves are established by the Actuary on behalf of the Fund.

C. Claim Handling Workers' Compensation

1. It is the objective of the Fund to control claim costs
2. The Fund engages experienced claim and management professionals. When a claim occurs a team comprised of the employer, medical professionals, claims adjusters, management company and legal professionals who work together on behalf of the member or its employees.
3. Whenever an investigation indicates that prompt, fair and equitable settlement of a claim is appropriate and possible, the claim servicing organization, or reinsurer shall submit to the Claim Review Committee and the Administrator for review, a notice of recommended settlement except for claims under \$10,000. The notice shall be on forms approved by the Trustees and shall provide information about the claim and the reasons underlying the recommended settlement.

D. Procedures Governing Loss Adjustment Workers' Compensation

1. The Fund has engaged the services of a third party claims administrator to receive incident reports, notices of claim and other related information for worker's compensation.
2. The claims servicing organization will, when it has been determined that a claim is compensable, under contract to the Fund, perform the following:
 - a. Review every claim and loss report submitted by the participants during the term of this contract.
 - b. Conduct an investigation of each qualified claim to the extent deemed necessary.
 - c. Maintain a file, either in paper or electronic form, for each qualified claim, which shall be available for review by the Fund.
3. Adjust, settle or advise of non-compensability
 - Within the stated settlement authority limit
 - With specific approval of the fund, if outside the stated limit of authority
4. Perform necessary and usual administrative and clerical work in connection with each qualified claim, including the preparation of checks or vouchers, releases, agreements and other documents needed to finalize a claim.
5. Establish and update claim reserves as needed
6. Notify the Fund and the Fund's reinsurer of all qualified claims which may exceed the Fund's retention.
7. Coordinate all investigations on litigated claims with attorneys representing the Fund with representative of the reinsurer as required.
8. Provide the Fund with loss reports and maintain an automated loss and information system.
9. Acknowledge receipt of each claim in a timely basis.

E. Post-Offer Medical Exams – Workers' Compensation

1. New Hires of Custodians and Maintenance Staff
2. Funded by MEIG

F. Litigation Management and Legal Fees

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

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

1. An approved legal firm(s) with qualified defense attorneys with previous experience with workers' compensation and a fee structure considered to be reasonable, of which, shall be approved by the Trustees.
2. The activities of the approved defense attorney(s) and experts shall be monitored and supervised by the claims servicing organization and administration of the Fund.

G. Annual Assessments

1. By March 1 of each year, the Actuary shall compute the experience modifications for each member for workers' compensation for the next Fund Year. The Fund will use the published rates by the Workers' Compensation Bureau.
 2. The annual assessment of each member shall be its pro-rata share of the probable net cost for the upcoming year for each line of coverage as computed.
 3. The calculation of pro-rata shares for each educational facility shall be based on the overall Fund year budget. Pro-rata shares may be modified by the Trustees to reflect the Loss History or other pertinent data of individual members.
 4. The total amount of each member's annual assessment shall be certified by majority vote of the Trustees to the membership at least (1) month prior to the beginning of the next fiscal year.
 5. The annual assessment for workers' compensation shall be paid in (2) installments: (1) Due to the Fund in August, (2) Due to the Fund in the following January. The Annual Assessment for the insured program shall be paid in full in August.
 6. In the event that any assessment is not paid with (10) days of the due date set forth by the Fund, the board of education 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 Trustees at the beginning of each Fund Year.
 7. The Treasurer shall deposit each member's assessment into the appropriate accounts including the operating account, and the claims account by Fund Year for each type of coverage.
- H. Supplemental Assessments
1. The Trustees shall by majority vote levy upon members additional assessments whenever needed or so ordered by the Commissioner of Banking and Insurance to supplement the Fund's claim or loss retention or administrative accounts, to assure the payment of the Fund's obligations, including payment of benefits under workers' compensation law.
 2. The Trustees shall assess each participating member an additional proportionate amount, as provided in the Fund's bylaws or as directed by the Commissioner of Banking and Insurance, to replenish claims or loss retention or administrative accounts:
 - All supplemental assessments shall be charged to the member by applicable fund year.
 - All members shall be given (30) days advance written notice of Fund's intention to charge an additional assessment, and the Fund shall conduct a hearing before adopting the supplemental assessment.
 - Members shall have (30) days to pay the Fund from the date any supplemental assessment is adopted.
 3. 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 chairperson or Custodian of Fund assets shall notify the

Commissioner of Banking and Insurance. Past due assessments shall bear interest at the rate of interest to be established annually by the Trustees.

I. Participation in Return of Surplus

All members will participate in the return of Excess Surplus earned during their period of membership. Returns will be as established by regulation.

J. Procedures for the Closure of Fund Years

The Fund shall, not less than (60) months after the end of a fiscal year, evaluate and determine its retained outstanding ultimate net losses up to the attachment points of the specific excess and aggregate excess insurance. The Fund will close a Fund year only if:

1. A portfolio transfer of retained outstanding ultimate net losses and residual risk has been effected; or
2. Upon closure of all losses following and independent determination that the residual risk has been extinguished to the highest level of certitude.

A Fund year may only be closed by resolution adopted after a public hearing.

1. All participants must receive at least one (1) month prior notice of the public hearing.
2. The resolution shall provide for the maintenance of all records in accordance with the requirements of the Commissioner of Banking and Insurance and other regulations and statutes then in effect.
3. The resolution shall provide for written notice to the Commissioner of Banking and Insurance at least (90) days before the resolution becomes effective.

K. Fund Commissioners and Trustees

Fund Commissioners, each a professional business administrator and/or board secretary are the backbone of the Fund. These individuals will in large measure control the success of the Fund by actively participating in the safety and loss control programs developed by the Fund for all members and by implementing these programs in their respective districts. Fund Commissioners are encouraged to attend all meetings of the Fund, to serve on committees and to encourage consistent, safe practices.

L. Fund Professionals

Providers of professional services to the Fund are strongly encouraged to participate in and promote Fund activities. The success of the Fund will, in part, be a reflection of the professionalism of those providers whose services are integral components of the Fund. Support of the concept of self-insurance, the Fund in general, and the risk management activities of the members in particular are necessary elements of success.

M. Risk Management Consultant

The Risk Manager shall be paid by the Fund at a fixed fee of 5% of assessments on the Insured Program only. This fee is added to the premium contribution of that member district.

The specific responsibilities of the Risk Manager are outlined in the Bylaws.

N. Financial Management

Consistent with the objective of serving as a long term vehicle through which to stabilize the costs associated with insurance coverage's, the underlying premise of the Fund's financial base shall be one of conservative up-front funding, prudent investment of idle funds, and maintenance of stringent paper and audit trails. As in the case with all other aspects of the Fund the financial assets of the Fund can well be considered as monies held in public trust. Treatment and handling of these funds must be accomplished in a manner, which reflects the stewardship obligation of those whose hands through which they pass. All investment, treasury and banking functions of the Fund are to be accomplished in a manner consistent with the enabling statutes then in effect.

O. Safety and Loss Prevention

In an effort to avoid preventable loss and the financial and human hardships which result there from, the Fund (operating through the Fund's Safety Committee) will implement safety and loss control programs and procedures directed at reducing or eliminating conditions or practices which lead to loss. These programs, implemented in progressive steps, will include items such as:

1. Member district facility inspections
2. Safe Schools Program – Online safety videos for all employees with Safety Director available to answer any questions