

2016 Risk Management Plan

Salem County Insurance Fund Commission
(hereinafter the "Insurance Commission")
Adopted February 4, 2016

BE IT RESOLVED by the Insurance Commission's governing body that effective 1/1/16 the 2016 Plan of Risk Management shall be:

1.) The perils or liability to be insured against.

- a.) The Insurance Commission insures the following perils or liability:
- Workers' Compensation including Employer's Liability, USL&H and Harbor Marine/Jones Act.
 - General Liability including Law Enforcement Liability and Employee Benefits Liability.
 - Automobile Liability including PIP and Uninsured/Underinsured Motorists Coverage.
 - Property, Auto Physical Damage and Boiler & Machinery.
- b.) The following coverage are provided to the Insurance Commission's member entities by their membership in the New Jersey Counties Excess Joint Insurance Fund (NJC).
- Excess Workers' Compensation
 - Excess General Liability
 - Excess Auto Liability
 - Excess Property including Boiler and Machinery
 - Public Officials Liability/School Board Legal/Employment Practices Liability
 - Crime
 - Pollution Liability
 - Medical Professional and General Liability

- Employed Lawyers Liability NOT PURCHASED
- Cyber Liability
- Non-Owned Aircraft Liability

2.) The limits of coverage.

a.) Workers' Compensation limits.

- The Insurance Commission covers \$250,000 per occurrence including:
 - Employer's Liability - \$250,000 per occurrence.
 - USL&H – \$250,000 per occurrence.
 - Harbor Marine/Jones Act - \$250,000 per occurrence.
- The NJC covers excess workers compensation claims to the following limits.
 - Workers' Compensation – statutory excess of the Insurance Commission's \$250,000.
 - Employer's Liability - at a sub-limit of \$30,750,000 excess of the Insurance Commission's \$250,000.
 - USL&H – \$250,000 less NJ State benefits excess of member's SIR of \$250,000.
 - Harbor Marine/Jones Act - \$250,000 less NJ State benefits excess of member's SIR of \$250,000.

NJC retains limits of \$250,000 excess \$250,000 for Workers Compensation and Employers Liability. NJC purchases from Wesco Insurance Company \$500,000 excess \$500,000 each occurrence/employee and purchases from Safety National Casualty Company 'Statutory' Workers Compensation limits excess of \$1,000,000 and \$5,000,000 excess of \$1,000,000 for Employers Liability. Additional Employers Liability limits of \$10,000,000 excess of \$6,000,000 are purchased from Underwriters at Lloyds, \$15,000,000 excess \$16,000,000 from National Casualty

b.) General Liability limits.

- The Insurance Commission covers \$250,000 per occurrence.
 - Law Enforcement - included in the General Liability limits.
 - Employee Benefits Liability - included in the General Liability limits.
 - Subsidence - \$250,000 per occurrence
 - Owned Watercraft 35' in length or less - \$250,000.
 - Garagekeepers Legal Liability - \$250,000
- The NJC covers excess liability claims as follows:
 - General Liability - \$25,250,000 excess the Insurance Commission's \$250,000. The \$10,000,000 excess \$500,000 commercial excess layer is subject to a \$20,000,000 aggregate limit for the policy period 1/1/16-17 - The \$15,000,000 excess \$10,500,000 commercial excess layer is subject to a \$15,000,000 annual aggregate limit (1/1/16-1/1/17).
 - Law Enforcement - included in the NJC's excess General Liability limits.
 - Employee Benefits Liability - included in the NJC's excess General Liability limits.
 - Subsidence - \$750,000 per occurrence excess of the Insurance Commission's \$250,000. NJC retains 100% of the limit excess of the Member's retention.
 - Owned Watercraft 35' in length or less - \$750,000 excess of the Insurance Commission's \$250,000. NJC retains 100% of the limit excess of the Member's retention.
 - Garagekeepers Legal Liability - \$250,000 excess of the Insurance Commission's \$250,000. NJC retains 100% of the limit excess of the Member's retention.

NJC retains limits of \$250,000 excess \$250,000 and purchases from Underwriters at Lloyds limits of \$10,000,000 per occurrence and a \$20,000,000 aggregate for the policy period of 1/1/16-17 excess over and above \$500,000. NJC also purchases from National Casualty limits of

\$15,000,000 per occurrence and a \$15,000,000 annual aggregate (1/1/16-1/1/17) excess over and above the \$10,000,000/\$20,000,000 with Underwriters at Lloyds.

c.) Automobile Liability limits.

- The Insurance Commission covers automobile liability claims as follows:
 - Automobile Bodily Injury and Property Damage Liability claims at a combined single limit of \$250,000.
 - The Insurance Commission covers \$250,000 for Personal Injury Protection (PIP) per Addendum I of this Plan.
 - The Insurance Commission covers \$15,000/\$30,000/5,000 for Underinsured/Uninsured Motorists Liability per Addendum II of this Plan.
- The NJC covers excess automobile liability claims as follows:
 - Automobile Bodily Injury and Property Damage Liability claims excess of the Insurance Commission's \$250,000 CSL limit. Included in the NJC's excess General Liability limits as shown above.

NJC retains limits of \$250,000 excess \$250,000 and purchases from Underwriters at Lloyds limits of \$10,000,000 per occurrence and a \$20,000,000 aggregate for the policy period of 1/1/16-17 excess over and above \$500,000. NJC also purchases from National Casualty limits of \$15,000,000 per occurrence and a \$15,000,000 annual aggregate (1/1/16-1/1/17) excess over and above the \$10,000,000/\$20,000,000 with Underwriters at Lloyds.

The NJC does not provide excess PIP OR Uninsured/Underinsured Motorist Coverage.

The excess general liability, auto liability, law enforcement liability and employers liability limits with Underwriters at Lloyds, National Casualty are per member Commission and are shared limits amongst SCIC member entities.

d.) Public Officials Liability/School Board Legal/Employment Practices Liability

- The NJC via the commercial market covers public officials liability, school board legal liability (where applicable) and employment practices liability as follows:
 - \$10,000,000 each claim and in the annual aggregate on a claims made basis per member Insurance Commission subject to the deductibles as outlined below:
 - Salem County - \$50,000 POL/\$75,000 EPL

e.) Excess Public Officials Liability/Employment Practices Liability/School Board Legal Liability:

- The NJC does not purchase an additional excess public officials liability/school board legal liability/employment practices liability program.

f.) Property/Equipment Breakdown

Property Limits/Sub-limits

- The Insurance Commission covers \$100,000 per occurrence less applicable member entity per occurrence deductibles.
- The NJC provides excess property coverage and Equipment Breakdown coverage via the commercial market with Zurich and excess property coverage with Mitsui Sumitomo Insurance Company of America (33.33%); Scottsdale Insurance Company (33.33%); Starr Companies (33.33%) quota share basis with the following limits excess of the member retention and member entity per occurrence deductible (*SHARED BY ALL NJC MEMBER COMMISSIONS AND THEIR MEMBER ENTITIES*)

Property Per Occurrence Limits:

- A. \$110,000,000 Per Occurrence with Zurich
- B. \$150,000,000 Per Occurrence with Mitsui Sumitomo Insurance Company of America (33.33%); Scottsdale Insurance Company (33.33%); Starr Companies (33.33%)
- C. \$260,000,000 per Occurrence Total Program Limit

Property Sub-Limits:

- Named Storm Wind and Hail - \$160,000,000 per occurrence for covered property east of GSP for Atlantic, Ocean, Monmouth and Burlington counties and all of Cape May County
- Earthquake - \$100,000,000 (Annual Aggregate) + Excess Earthquake - \$100,000,000
- Flood - \$100,000,000 (Annual Aggregate) Except;

- Flood Inside Special Flood Hazard Area (SFHA) - \$25,000,000
 - Excess Flood Add \$15,000,000 (Annual Aggregate)
- Asbestos Cleanup - \$50,000 per occurrence
- Valuable Paper And Records - \$10,000,000
- Accounts Receivable - \$10,000,000
- Demolition & Increased Cost of Construction -\$25,000,000
- Business Interruption -Included in \$110,000,000 blanket limit (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 - \$2,500,000 (Owned And Non Owned)
- Pollution And Contamination Cleanup (Limited) - \$250,000 (Annual Aggregate)
- Miscellaneous Unnamed Locations - \$10,000,000
- New Construction and Additions - \$25,000,000 (the lesser of \$1,000,000 sublimit or 60 days for soft costs, subject to applicable deductible per cause of loss and 24 hour qualifying period)
- Newly Acquired Locations – \$25,000,000 per location (90 day reporting period)
- Service Interruption - \$10,000,000 Combined Time Element and Property Damage Including Overhead Transmission Lines within 1 mile of insured premises, 24 hour qualifying period)
- Ingress/Egress – 30 Day Period for Property with a 5 mile radius not to exceed a \$5,000,000 limit.
- Debris Removal -\$25,000,000
- Civil Government Authority – Lesser of \$5,000,000 or 30 day period, within 5 mile radius
- Leasehold Interest - \$15,000,000
- Loss Of Rents - \$15,000,000
- Professional Fees - \$1,250,000
- Extended Period of Liability – 365 Days
- Auto Physical Damage - \$15,000,000
- Underground Piping - \$5,000,000 (only if within 5 MILES 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). There is no coverage for the perils of Earthquake, Flood or named Storm
- EDP Equipment – Subject to a 24 hour qualifying period. No sub-limit for equipment. \$1,000,000 sublimit for data and software
- Outdoor Property - \$10,000,000
- Equipment Breakdown - \$100,000,000
 - Ammonia Contamination - \$5,000,000
 - Spoilage - \$5,000,000

- Extended Period Of Indemnity - 365 Days
- Note: There is an Excess Property Policy with Mitsui Sumitomo Insurance Company of America (33.33%); Scottsdale Insurance Company (33.33%); Starr Companies (33.33%) on a quota share basis which extends the Per Occurrence Policy Limits by \$150,000,000 to a total of \$260,000,000. The excess policy provides a sub-limit of \$25,000,000 excess of the underlying \$110,000,000 per occurrence for Named Storm Wind and Hail for Atlantic, Cape May, Ocean, Monmouth and Cumberland counties. Coverage sub-limits on the Primary policy are excluded by the Excess Property policy, including Equipment Breakdown. The primary limit is \$110,000,000.
- There is an Excess Flood/Earthquake policy placed with Aspen Specialty (20%)/AXIS Surplus (20%)/United Specialty (20%)/Endurance American Specialty(10%)/Interstate Fire & Casualty (10%)/RSUI Indemnity (10%)/Westchester Surplus (10%) which provides:
 - \$50,000,000 aggregate policy limit for Flood coverage excess of the aggregate policy limits provided by Zurich (\$25,000,000 for locations inside the 100-Year Flood Zone, \$50,000,000 for all other locations, as noted above); and
 - \$100,000,000 aggregate policy limit for Earthquake coverage excess of the \$100,000,000 aggregate policy limit provided by Zurich (noted above).

Property Deductibles

- The standard member insurance commission retention is \$100,000 per occurrence less member entity per occurrence deductibles below. Also applies to time element, auto physical damage and flood (except as noted below).Property/Boiler & Machinery
 - Salem County - \$5,000 Property & Auto Physical Damage
- The Equipment Breakdown deductible is \$25,000 member entity deductible per occurrence.
- The Earthquake Member Insurance Commission retention is \$100,000 per occurrence less member entity deductibles.
- The Flood Member Insurance Commission retention is \$100,000 per occurrence (combined property damage and time element) less member entity per occurrence deductibles.

- Flood loss for property within the Special Flood Hazard Area (SFHA) is subject to a deductible of \$500,000 each building for municipality buildings, and \$500,000 each building for building contents member entity deductible per occurrence; and \$100,000 for each building for loss of income or the National Flood Insurance Plan's (NFIP) maximum available limits for public entities, whichever is greater, regardless of whether National Flood Insurance program coverage is purchased or not. Losses shall also be adjusted subject to a \$100,000 per occurrence Insurance Commission deductible for pumping stations, pistol ranges, vehicles and mobile equipment less the applicable member entity deductible.
- “Named Storm as respects to covered property in Atlantic, Ocean, Monmouth and Burlington Counties located east of the Garden State Parkway and any covered property in Cape May County” For Property Damage: subject to a deductible of 1% of the value, per the Schedule of Values on file with the company as of the date of loss, for those Buildings where the direct physical loss or damage occurred, per occurrence. For Time Element: 1% of the full 12 months Gross Earnings or Gross Profit values that would have been earned following the occurrence by use of the facilities at the Location where the direct physical loss or damage occurred and all other Locations where Time Element loss ensues, per occurrence. The 1% Time Element deductible does not apply Extra Expense. Combined PD and TE deductible subject to a minimum deductible of \$250,000 per Location and a maximum deductible of \$1,000,000 per occurrence.
- Note: Where there is an underlying Insurance Commission such as exist in Salem. The Salem County Insurance Commission provides coverage for the difference in deductible for “insured property” resulting from “insured perils” (per the terms and conditions of the Zurich policy through the NJC JIF), but only for what is not reimbursed by FEMA less the member entity deductible. The Salem County Insurance Commission will not provide coverage for the difference in deductible for time element loss.

Named Storm is defined as any storm or weather disturbance that is named by the U.S. National Oceanic and Atmospheric Administration (NOAA) or the U.S. National Weather Service or the National Hurricane Center or any comparable worldwide equivalent.. Location is defined as a building(s) bounded on all sides by public streets, clear land space or open waterways, each not less than 50 feet wide, a site or tract of land occupied or available for occupancy with tangible property. If the Named Storm involves covered property within the 100-year flood zone, the 100-year flood zone deductible above applies.

- Underground Piping \$100,000 per occurrence less the member entity deductibles as stated above. There is no coverage for the perils of earthquake, Flood or named Storm
- Golf Carts - \$25,000

NJC does not retain any risk as it is fully insured in the commercial market.

g.) Crime

The NJC via the commercial market provides crime coverage at the following limits and deductibles (the Insurance Commission retains no risk for Crime):

Limit per occurrence:

- Salem County – \$1,000,000

Deductible per occurrence:

- Salem County – \$10,000

NJC does not retain any risk as it is fully insured in the commercial market.

h.) Pollution Liability

The NJC via the commercial market provides pollution liability coverage at the following limits and deductibles (the Insurance Commission retains no risk for Pollution Liability):

- Limit of Liability: \$10,000,000 per claim and \$25,000,000 annual aggregate
- Member Entity Deductible: \$25,000

NJC does not retain any risk as it is fully insured in the commercial market.

All policy aggregates limits are shared by the Camden County Insurance Commission, Gloucester County Insurance Commission, Union County, Burlington County Insurance Commission, Cumberland County Utilities Authority, Ocean County Mosquito Extermination Commission, Salem County and Atlantic County Utilities Authority

i.) Medical Professional General Liability/Excess Medical Professional

The NJC via the commercial market provides medical professional general liability/excess medical professional coverage at the following limits and deductibles (the Insurance Commission retains no risk for medical professional general liability):

- 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 with CCIC, BCIC, GCIC SCIC and CUIC .
- Member Entity Deductibles GL and PL:
 - Salem County Health Clinic – \$5,000
 - Department of Corrections (prison Infirmary) - \$25,000

NJC does not retain any risk as it is fully insured in the commercial market.

j.) Employed Lawyers Professional Liability

The NJC via the commercial market offers an employed lawyers professional liability program that SCIC does not participate in.

k.) Cyber Liability

The NJC via the commercial market provides on an optional basis network privacy & security liability coverage at the following limits and deductibles (the insurance commission retains no risk for network privacy & security liability coverage):

- Limits per claim and annual aggregate:
 - Security & Privacy Liability: \$1,000,000
 - regulatory sub-limit: \$750,000*
 - Network Interruption (12 hour period): \$250,000
 - Event Management: \$250,000
 - Cyber Extortion: \$ 1,000,000
 - Minimum affected individuals: 100
 - Maximum affected individuals: \$500,000
- Retention per member entity:
 - Security & Privacy Liability: \$25,000
 - Regulatory: \$25,000
 - Network Interruption (12 hour period): \$25,000
 - Event Management: \$25,000
 - Cyber Extortion: \$ 25,000
 - Minimum affected individuals: 100
 - Maximum affected individuals: \$500,000
- Participating member entities are:
 - Salem County

1.) Non-Owned Aircraft. The NJCE covers \$9,000,000 CSL for Bodily Injury and Property Damage Liability, and \$5,000 medical expense for each passenger.

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

3.) The amount of risk to be retained by the Insurance Commission (except as noted in section 2. Limits of coverage).

- a.) Workers' Compensation (all coverages) - \$250,000 CSL
- b.) General Liability (all coverages) - \$250,000 CSL
- c.) Law Enforcement Liability – Included in General Liability
- d.) Automobile Liability
 - Property Damage & Bodily Injury - \$250,000 CSL
 - Underinsured/Uninsured - \$15,000/\$30,000/\$5,000 CSL
 - Personal Injury Protection - \$250,000 CSL
- d.) Public Officials Liability/School Board Legal/Employment Practices Liability - None
- e.) Property/APD - \$100,000 per occurrence less member deductibles.
- f.) Crime – None
- g.) Pollution Liability – None
- h.) Medical Professional General Liability – None
- i.) Employed Lawyers Liability – None
- j.) Cyber Liability - None

4.) The amount of unpaid claims to be established.

- a.) The Insurance Commission engages a claims service company to handle all claims. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the Insurance Commission Attorney, the NJC's attorney's office, as well as the claims department of the NJC's five major excess insurers (i.e. Underwriters at Lloyds, National Casualty and Markel for excess liability; Wesco Insurance

Company and Safety National Casualty Company for workers' compensation). Every three years, the NJC's internal auditors also conduct an audit.

- b.) Claims reserves are subject to regular review by the Insurance Commission's Executive Director/Administrator, Attorney, Board of Commissioners and claims servicing company. Reserves on large or unusual claims are also subject to review by the claims departments of the commercial insurance companies or reinsurance companies providing primary or excess coverages to the Insurance Commission either directly or through the NJC JIF.

5.) The method of assessing contributions to be paid by each member of the Insurance Commission.

- a.) By November 15th of each year, the actuary computes the probable net cost for the upcoming Insurance Commission year by line of coverage and for each prior Insurance Commission year. The Actuary includes all budget items in these computations. The annual assessment of each participating member entity is its pro rata share of the probable net cost of the upcoming Insurance Commission year for each line of coverage as computed by the Actuary.
- b.) The calculation of pro rata shares is based on each member's experience modified manual premium for that line of coverage. The Insurance Commission's Governing Body also adopts a capping formula which limits the increase of any member's assessment from the preceding year to the Insurance Commission wide average increase plus a percentage selected by the Governing Body. The total amount of each member's annual assessment is certified by majority vote of the Insurance Commission's Governing Body at least one (1) month prior to the beginning of the next fiscal year.
- c.) The Treasurer deposits each member's assessment into the appropriate accounts, including the administrative account, and the claim or loss retention trust Insurance Commission account by Insurance Commission year for each type of coverage in which the member participates.
- d.) If a member entity becomes a member of the Insurance Commission or elects to participate in a line of coverage after the start of the Insurance Commission year, such participant's assessments and supplement assessments are reduced in proportion to that part of the year which had elapsed.
- e.) The Insurance Commission's Governing Body may by majority vote levy upon the participating member entities additional assessments wherever needed or so ordered by the Commissioner of Insurance to supplement the Insurance Commission's claim, loss retention or administrative accounts to

assure the payment of the Insurance Commission's obligations. All supplemental assessments are charged to the participating member entities by applicable Insurance Commission year, and shall be apportioned by the year's assessments for that line of coverage.

- f.) Should any member fail or refuse to pay its assessments or supplemental assessments, or should the Insurance Commission fail to assess funds required to meet its obligations, the Chairman, or in the event by his or her failure to do so, the custodian of the Insurance Commission's assets, shall notify the Commissioner of Insurance and the Director of Community Affairs. Past due assessments shall bear interest at the rate established annually by the Insurance Commission's Governing Body.

6.) Procedures governing loss adjustment and legal expenses.

- a.) The Insurance Commission engages a claims service company to handle all claims. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the Insurance Commission Attorney, the NJC's attorney's office, as well as the claims department of the NJC's three major excess insurers (i.e. Star Insurance for excess liability and workers' compensation; Everest National and Star & Indemnity for excess liability). Every three years, the NJC's internal auditors also conduct an audit.
- b.) Each member entity is provided with a claims reporting procedure and appropriate forms.
- c.) In order to control workers' compensation medical costs, the Insurance Commission has engaged a managed care organization (MCO) *through the claims service company* whose procedures are integrated into the Insurance Commission's claims process.
- d.) To provide for quality defense and control costs, the Insurance Commission has established an approved defense attorney panel with firms which specialize in Title 59 matters. The performance of the defense attorneys is overseen by the Insurance Commission Attorney, as well as, the various firms which audit the claims adjusters.

7.) Coverage to be purchased from a commercial insurer, if any.

The Insurance Commission does not purchase commercial insurance.

8.) Reinsurance to be purchased.

The Insurance Commission does not purchase reinsurance.

- 9.) Procedures for the closure of Insurance Commission years, including the maintenance of all relevant accounting records.
- a.) Not applicable at this time.
- 10.) Assumptions and Methodology used for the calculation of appropriate reserves requirements to be established and administered in accordance with sound actuarial principles.
- a.) The general approach in estimating the loss reserves of the Insurance Commission is to project ultimate losses for each Insurance Commission year using paid and incurred loss data. Two traditional actuarial methodologies are used: the paid loss development method and the incurred loss development method. From the two different indications resulting from these methods the Insurance Commission Actuary chooses a "select" estimate of ultimate losses. Subtraction of the paid losses from the select ultimate losses yields the loss reserve liability or Insurance Commission funding requirement.
- b.) The following is an overview of the two actuarial methods used to project the ultimate losses.
- Paid Loss Development Method - This method uses historical accident year paid loss patterns to project ultimate losses for each accident year. Because this method does not use case reserve data, estimates from it are not affected by changes in case reserving practices. However, the results of this method are sensitive to changes in the rate of which claims are settled and losses are paid, and may underestimate ultimate losses if provisions are not included for very large open claims.
 - Case Incurred Loss Development Method - This method is similar to the paid loss development method except it uses historical case incurred loss patterns (paid plus case outstanding reserves) to estimate ultimate losses. Because the data used includes case reserve estimates, the results from this method may be affected by changes in case reserve adequacy.
- 11.) The maximum amount a certifying and approving officer may approve pursuant to N.J.A.C. 11:15-2.22.
- \$10,000 for workers compensation claims
 - \$7,500 for liability claims
 - With the advance approval of the Insurance Commission Attorney or Executive Director, the certifying and approving officer may also pay hospital bills if waiting until after the next regularly scheduled Insurance

Commission meeting would result in the loss of a discount on such bills. When the certifying and approving officer utilizes this authority, a report shall be made to the Commissioners at their next meeting.