

REPORT ON EXAMINATION  
AS TO CONDITION OF THE  
MONMOUTH COUNTY MUNICIPAL 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**

DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF SOLVENCY REGULATION  
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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:

**MONMOUTH COUNTY MUNICIPAL 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 Fund was last examined at December 31, 1999. The examination was conducted at the office of the Fund's Executive Director, PERMA Risk Management Services Park 9 Campus Drive, 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.

### **COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS**

It is recommended the Fund Attorney file a conflict of interest statement in the future.

The Fund has complied with this recommendation.

### **HISTORY AND KIND OF BUSINESS**

The Fund was established January 1, 1988 in accordance with Public Law 1983, C. 372 entitled "An act concerning joint insurance funds for local units of government and supporting Chapter 10 of Title 40A of the New Jersey Statutes. The Fund is both a self-insured and self administered group of municipalities established for the purpose of insuring against property damage, general liability, motors vehicles and equipment liability and workers compensation.

The Monmouth Fund commenced operations on January 1, 1988 with 17 charter members. As of January 1, 2013, the Fund has 38 member municipalities.

	Date Joined
* Allenhurst Borough	1/01/88
* Allentown Borough	1/01/88
* Atlantic Highlands Borough	1/01/88
* Avon by the Sea Borough	1/01/88
* Brielle Borough	1/01/88
* Eatontown Borough	1/01/88
* Fair Haven Borough	1/01/88-12/31/07
* Hazlet Township	1/01/88
* Howell Township	1/01/88-12/31/99
* Interlaken Borough	1/01/88
* Marlboro Township	1/01/88
* Matawan Borough	1/01/88

* Neptune City Borough	1/01/88
* Red Bank Borough	1/01/88
* Shrewsbury Borough	1/01/88
* Wall Township	1/01/88
* Bradley Beach Borough	1/01/88-1/1/96, 1/1/12
South Belmar Borough	1/01/89
Union Beach Borough	1/01/89
Neptune Township	7/20/89-12/31/98
Little Silver Borough	9/22/89
Monmouth Beach Borough	10/1/89
Englishtown Borough	1/01/90
Shrewsbury Township	4/01/90
Loch Arbor Village	7/01/90
Tinton Falls Borough	2/01/91
Rumson Borough	3/15/91
Deal Borough	7/01/91
West Long Branch Borough	8/01/91
Manasquan Borough	1/01/92
Farmingdale Borough	1/01/92
Spring Lake Borough	6/15/92
Sea Girt Borough	1/1/93
Roosevelt Borough	1/1/94
Highlands	9/1/94
Upper Freehold Township	1/1/95
Middletown Twp.	1/1/05
Oceanport	1/1/06
Sea Bright	1/1/07
Keyport	1/1/11
Manalapan	1/1/13
* Denotes Charter Member	

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

## **TERRITORY AND PLAN OF OPERATION**

### ***New Municipalities***

Any municipality seeking membership into the Fund shall submit an application for membership along with the necessary resolution and copies of current policies, five year historical claim information, latest budget, latest auditor's report, and an application fee of \$1,000.

Membership shall meet the following criteria:

- (a) Be located within reasonable proximity to Monmouth County.
- (b) Be homogeneous in size and operation to existing members of the Fund.
- (c) Demonstrate a favorable loss history for at least five years.
- (d) Has shown a proven dedication to loss prevention/control.

- (e) Indicate a willingness to participate in Fund activities and development.
- (f) Agree to comply with the state regulations which govern the Fund, the Fund Bylaws, and the regulations promulgated by the Fund.

The Executive Director/Administrator reviews applications for completeness, accuracy and compliance with established underwriting guidelines. The Executive Director/Administrator then forwards the necessary underwriting information to the Fund's Actuary who will develop annualized loss projections by line of coverage based on the applicants' loss experience and exposures. In addition, the Executive Director/Administrator simultaneously requests the Fund's Safety Director to undertake a comprehensive physical inspection on the applicant's locations.

Once the process is completed the Executive Director/Administrator presents the new applicant to the Executive Committee for approval consideration. The Commissioners will review such items as:

- New member data summary
- Compatibility studies
- Loss information
- Safety Inspection Reports
- Proposed Annual Assessments

The application requires a majority vote of the Executive Committee.

In addition revisions made to N.J.S.A. 40A: 10-36 allows fire district to join a joint insurance fund subject to a resolution outlining the following:

- Endorsement of application for membership
- Fire District hold harmless
- Financial responses
- Reimbursement to municipality
- Disputed claims

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: Dennis Henry of 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: Robert Hulsart of Armour S. Hulsart & Co.** - 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: James J. Cleary, Esq. of Cleary, Giacobbe, Alfieri & Jacobs** – 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: Stephen M. Mayer**-- 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.

**Risk Management Consultants: Charles Casagrande of Danskin Agency and Michael Avalone of Conner Strong & Buckelew** – The Risk Management Consultants shall assist the participating municipalities in identifying insurable Property and Casualty exposures and in understanding and selecting various coverages available to them.

**Managed Care Provider: Guy Buonpane of QualCare Inc.** – The Managed Care Provider will establish and maintain an adequate network of hospitals, physicians, laboratories and other appropriate facilities and provide notification, within one business day, to the Fund's TPA of all new losses. Other services provided include provider and facility credentialing, pre-authorization of all medical treatment, establishment of treatment schedules and concurrent reviews and discharge coordination for inpatient hospitalization.

**Safety Director/Right to Know Provider: Joanne Hall of JA 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 to the Fund's members.

**Underwriter: Joseph Hrubash of 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.

**Asset Manager: Wells Capital Management**– The Asset Manager provides custodial services and assures the safekeeping of all security holdings of the Fund acting as a discretionary trustee over the assigned assets of the Fund in a manner which is consistent with the Fund's Cash and Investment Management Plan.



In settling claims the Fund utilizes the services of a third party administrator Qual-Lynx.

## **MANAGEMENT AND CONTROL**

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

In the event that the number of participating municipalities is an even number, one additional commissioner shall be appointed annually by a participating municipality 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 municipality'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 municipality shall hold office at the pleasure of the municipality and can be removed by the municipality 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 municipality, he 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 municipality 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 municipality, 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 municipality 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**

### **Municipality**

Lori L. Osborn

Allenhurst Borough

Clerk	125 Corlies Avenue Allenhurst, NJ 07711
June Madden	Allentown Borough CFO 8 North Main Street Allentown, NJ 08501
Adam Hubeny Administrator	Atlantic Highlands Borough 100 First Avenue Atlantic Highlands, NJ 07716
Tim Gallagher Commissioner	Avon by the Sea 301 Main Street Avon, NJ 07717
Gary Englestad Mayor	Bradley Beach 701 Main St. Bradley Beach, NJ 07720
Thomas Nolan Administrator	Brielle Borough 601 Union Lane Brielle, NJ 08730
James Rogers Administrator	Deal Borough Durant Square - Box 56 Deal, NJ 07723
Laurie Gavin HR Manager	Eatontown Borough 47 Broad Street Eatontown, NJ 07724
Peter Gorbatuk Clerk	Englishtown Borough 13 Main Street Englishtown, NJ 07726
Kim Farrington Clerk	Farmingdale Borough PO Box 58 Farmingdale, NJ 07727
Brian Valentino Administrator	Hazlet Township 1776 Union Avenue Hazlet, NJ 07730

Tim Hill Administrator	Highlands Borough 171 Bay Avenue Highlands, NJ 07732
Dawn McDonald Clerk	Interlaken Borough 100 Grassmere Avenue Interlaken, NJ 07712
Lorene Wright Administrator	Keyport Borough 70 West Front Street Keyport, NJ 07735
Louise McKosh Administrator	Lake Como Borough P O Box 569 South Belmar, NJ 07719
Helen Gormley Administrator	Little Silver Borough (732) 842-2400 480 Prospect Avenue Little Silver, NJ 07739
Dan Mason Clerk	Loch Arbour Village (732) 531-4740 550 Main Street Loch Arbour, NJ 07711
Tara Lovrich Administrator	Manalapan Township (732) 446-8315 120 Route 522 Manalapan, NJ 07726
Joseph Deiorio Administrator	Manasquan Borough (732) 223-0544 15 Taylor Avenue Manasquan, NJ 08736
Jonathan A. Capp Administrator	Marlboro Township 1979 Township Drive Marlboro, NJ 07746
Paul Buccellato Mayor	Matawan Borough 150 Main Street Matawan, NJ 07747
Anthony Mercantante Administrator	Middletown Township Township Hall 1 King's Highway Middletown, NJ 07748-2594
James Fuller Commissioner	Monmouth Beach Borough 22 Beach Road Monmouth Beach, NJ 07750

Mary Sapp  
Administrator

Neptune City Borough  
106 West Sylvania Avenue  
Neptune City, NJ 07753\

Kim Jungfer  
Administrator

Oceanport Borough (732) 222-8221  
P.O. Box 370  
222 Monmouth Boulevard  
Oceanport, NJ 07757

Colleen Lapp  
CFO

Red Bank Borough (732) 345-8134  
90 Monmouth Street  
Red Bank, NJ 07701

Toby Moore

Roosevelt Borough (609) 448-0539  
Water/Sewer Operator PO Box 128  
Roosevelt, NJ 08555

Thomas Rogers

Rumson Borough (732) 842-3300  
Administrator East River Road  
Rumson, NJ 07760

William Keeler  
Councilman

Sea Bright Borough (732) 842-0099  
1167 Ocean Avenue  
Sea Bright, NJ 07760

Lorraine Carafa  
Administrator

Sea Girt Borough (732) 449-9433  
P.O. Box 296  
Sea Girt, NJ 08750

Thomas X. Seaman  
Administrator

Shrewsbury Borough (732) 741-4200  
419 Sycamore Avenue  
Shrewsbury, NJ 07702

Adeline Schmidt  
Business Administrator

Shrewsbury Township (732) 223-2517  
1979 Crawford Street  
Eatontown, NJ 07724

Bryan Dempsey  
Administrator

Spring Lake Borough (732) 449-0800  
Fifth & Warren Aves.  
Spring Lake, NJ 07762

Gerald Turning  
Administrator

Tinton Falls Borough (732) 542-3400  
556 Tinton Avenue  
Tinton Falls, NJ 07724

Anne Marie Friscia  
Clerk

Union Beach Borough (732) 264-2277  
650 Poole Avenue  
Union Beach, NJ 07735

Diane Kelly  
Administrator

Upper Freehold Township (609) 758-7738  
PO Box 89  
Cream Ridge, NJ 08514-0089

Jeffrey Bertrand  
Administrator

Wall Township (732) 449-8444  
2700 Allaire Road  
Wall, NJ 07719

Lori Cole  
Clerk

West Long Branch Borough (732) 229-1756  
PO Box 639  
Poplar Avenue  
West Long Branch, NJ 07764

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 shall also elect two (2) 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

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

James Rogers Chairperson  
Bryan Dempsey Secretary  
Thomas Nolan,  
Gerald Turning,  
Anthony Mercadante  
Laurie Gavin  
Thomas Rogers

Alternates:

Lori Cole  
Jonathan Capp

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 1<sup>st</sup> 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 Chairperson was James Rogers and the Secretary was Bryan Dempsey.

The following is a listing of Fund Committees elected and serving at December 31, 2013:

**Safety**

Thomas Rogers, Borough of Rumson, Chairperson  
Timothy Gallagher  
Laurie Gavin  
Steven Carasia  
Tom Nicasastro  
Bob McArthur  
Jonathan Capp

**Coverage**

Thomas Nolan  
Thomas Rogers  
W. Bryan Dempsey  
Anthony Mercandante

**Claims Review**

Thomas Nolan  
W. Bryan Dempsey  
Adeline Schmidt  
Thomas Rogers  
Laurie Gavin  
Gerald Turning

**Rules & Contracts**

Lori Cole  
W. Bryan Dempsey  
Gerald Turning  
Anthony Mercandante

**Finance Committee**

James Rogers  
Thomas Nolan  
Thomas Rogers  
W. Bryan Dempsey

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

**INSURANCE COVERAGES AND EXCESS INSURANCE**

The following is a summary of insurance coverages the Fund provides to its members:

**PROPERTY**

Property coverage is provided by Zurich American Insurance for a \$125,000,000 limit with a \$250,000 per occurrence deductible. The \$125,000,000 per occurrence limit is shared by all member entities of the Municipal Excess Liability Joint Insurance Fund (MEL) member JIFS. The \$250,000 deductible is covered by the Fund for \$50,000 per occurrence, less a \$2,500 per occurrence member deductible with the MEL providing coverage for \$200,000 per occurrence in excess of \$50,000 per occurrence.

The policy with Zurich provides a sublimit for flood of \$50,000,000 per occurrence and in the aggregate. There is also a limitation of \$2,500,000 per location for loss or damage arising from flood for locations wholly or partially within Special Flood Hazard Areas, areas of 100 year flooding as defined by the Federal Emergency Management Agency. In addition the policy contains a per occurrence deductible for municipalities of \$500,000 per building and \$500,000 per building contents for locations within the Special Flood Hazard Area.

Other sub-limits contained in the Zurich Policy are as follows:

Peril	Limit
Earthquake	\$50,000,000 annual aggregate
Builders Risk	\$25,000,000 per occurrence
Demolition and Increased cost of Construction	\$25,000,000 per occurrence
Newly Acquired Real and Personal Property (90 days)	\$25,000,000 per occurrence
Leasehold Interest	\$15,000,000 per occurrence
Loss of Rents	\$15,000,000 per occurrence
Debris Removal	\$15,000,000 per occurrence or 25% of the cost whichever is less
Valuable Papers and Records	\$10,000,000 per occurrence
Extra Expense	\$10,000,000 per occurrence
Accounts Receivable	\$10,000,000 per occurrence
Expediting Expense	\$10,000,000 per occurrence
Miscellaneous Unnamed Locations	\$5,000,000 per occurrence
Civil Authority	\$5,000,000 per occurrence time element coverages only for revenue producing properties
Business Interruption	\$5,000,000 per occurrence time element coverages only for revenue producing properties
Service Interruption	\$10,000,000 per occurrence property damage and time element combined
Ingress/Egress	\$5,000,000 per occurrence or (30) days whichever is less
Soft Costs	\$5,000,000 per occurrence
Fine Arts	\$2,500,000 for Fine Arts owned and non-owned
Cyber Secure	\$1,000,000 per occurrence
Transit	\$1,000,000 per conveyance/occurrence
Tenant Relocation	\$750,000 per occurrence
Pollution and Contamination Clean up	\$250,000 per occurrence and in the aggregate
Loss Adjustment Expenses	\$250,000 per occurrence and \$500,000 annual aggregate
Asbestos Clean up	\$50,000 per occurrence and in the aggregate

The JIF and the MEL do not retain any risk for flood damage to -building and building contents for locations within the Special Flood Hazard Area, areas of 100 year flooding as defined by the Federal Emergency Management Agency.



## **PROPERTY PROGRAM EXCEPTIONS**

There is a program exception for named storms which is defined as a storm system that has been declared a hurricane, typhoon, tropical cyclone or tropical storm by the National Hurricane Center of the National Oceanic and Atmospheric Administration's National Weather Service. This exception applies to the peril of windstorm and flood resulting from a Named Storm for any covered property in Atlantic, Ocean, Monmouth and Burlington Counties East of the Garden State Parkway and for all covered property in Cape May County.

The MEL does not provide coverage for the perils of flood and windstorm for named storm at the above locations. Zurich American provides named storm coverage up to the policy per occurrence limit of \$125,000,000 subject to a deductible. This deductible requires all member entities of each MEL member located in the locations noted above to retain 1% of the total insurable values of all covered locations (excluding automobiles) reporting loss of damage, subject to a \$250,000 minimum per occurrence deductible and a \$1,000,000 maximum per occurrence deductible.

Based on this exception each JIF may determine the extent of coverage for the Named Storm within its funding level. The Atlantic, Burlington, Central, Mid New Jersey, Monmouth, New Jersey Public Housing Authority and Ocean JIFs participate in a program to share the first \$50,000 of loss less an entity member deductible of \$5,000. These JIFs also agree to share ~~in any share~~ in any loss excess of \$250,000 up to a maximum deductible of \$1,000,000.

Neither the member JIF nor the MEL provide boiler and machinery coverage. Coverage for boiler and machinery is provided by Zurich American at a sub-limit of \$125,000,000 excess of the \$5,000 member entity deductible. The sub-limit is on a per accident basis and is reinstated after every accident.

## **WORKERS COMPENSATION**

Workers compensation coverage is provided as follows:

Monmouth County JIF	Limit
Workers Compensation	\$300,000
Employers Liability	\$300,000
Municipal Excess Liability JIF	
Workers Compensation	\$1,700,000 excess \$300,000
Employers Liability	\$1,700,000 excess \$300,000
Safety National (Rated A+ AMBest)	
Workers Compensation	Statutory Limits excess \$2,000,000
Employers Liability	\$5,000,000 excess \$2,000,000

## **GENERAL LIABILITY**

General liability includes general liability, auto liability, law enforcement professional liability and employee benefits liability.

The JIF provides coverage for General Liability which includes Commercial General Liability and Law Enforcement Professional Liability for \$300,000 CSL. The MEL Provides excess insurance coverage for general liability as follows:

\$1,450,000 excess \$300,000 CSL per occurrence  
\$3,250,000 excess of \$1,750,000 per occurrence and in the aggregate

In addition member towns may purchase coverage in excess of \$5,000,000 per occurrence and in the aggregate (business auto is unaggregated). Member entities in the Monmouth County JIF purchased optional coverage ranging from \$0 to \$15,000,000.

It is noted that for coverage in excess of \$1,750,000 the MEL has purchased reinsurance from A+ rated carriers.

The JIF provides underinsured/uninsured motorist liability for \$15,000/\$30,000/\$5,000 and Personal Injury Protection Coverage of \$250,000.

## **PUBLIC OFFICIALS/EMPLOYMENT PRACTICES LIABILITY**

Coverage for Public Official and Employment Practices Liability is provided by Indian Harbor Insurance Company. Indian Harbor Insurance Company is an eligible surplus lines writer in New Jersey and is a member of the XL Group which is A rated by AM Best.

The coverage provided is for \$2,000,000 in the aggregate on a claims made basis per member municipality for each fund year.

For the Public Officials Liability Coverage there is a \$20,000 deductible per occurrence except that a \$75,000 deductible per occurrence applies for local units with unfavorable loss experience. The same deductible applies for Employment Practices Liability Coverage for member entities which have an approved EPL Loss Control/Risk Management Program. There is also a 20% co-insurance of the first \$250,000 of loss.

For member entities without an approved EPL Loss Control/Risk Management Programs for Employment Practices Liability Coverage there is a \$100,000 deductible per occurrence and a \$150,000 deductible per occurrence of member entities with unfavorable loss experience.

Individual member entities can purchase additional coverage in excess of the \$2,000,000 limit from the MEL. Members entities in the Monmouth County JIF purchased additional coverage ranging from 0 to \$8,000,000. The MEL has reinsured this coverage with A+ rated reinsurers.

## **NON-OWNED AIRCRAFT**

The MEL through Catlin Insurance Company, Inc. which has an A rating from AM Best provided non-owned aircraft coverage for \$5,000,000 combined single limit for bodily injury and property damage liability and \$5,000 medical expenses for each passenger.

## **OPTIONAL DIRECTORS AND OFFICERS LIABILITY**

The JIF provides to its members the option to purchase Directors and Officers Liability Coverage for Fire Companies and Emergency Service Units. The coverage is for a \$1,000,000 to \$2,000,000 annual aggregate and the policy is issued by Indian Harbor Insurance Company. There are optional deductibles of \$1,000, \$2,000 or \$5,000.

## **BLANKET CRIME**

The JIF provides blanket crime coverage to \$50,000 less a member entity deductible of \$2,500. The MEL provides \$1,000,000 in coverage less the member JIF's retention coverage of \$50,000. The coverages insured by this policy are forgery or alteration, theft,

disappearance, destruction, robbery and safe burglary, computer fraud and public employee dishonesty

### **EXCESS PUBLIC OFFICIALS BOND**

The MEL provides coverage for excess employee dishonesty and faithful performance coverage for those employed positions which are required by law to be individually bonded at limit of \$1,000,000 less a local member units' deductible. The deductible is the higher of the amount said persons are required by law to be individually bonded whether or not such bond is in place or the amount of the individual bond in place.

### **ENVIRONMENTAL IMPAIRMENT LIABILITY**

Environmental Impairment Liability Coverage is by the New Jersey Municipal Impairment Risk Management Fund (EJIF).

The EJIF provides the following coverage to the JIF;

- Third party limit of liability for \$1,000,000 per loss per local unit and \$1,000,000 aggregate per local unit. This coverage is subject to the JIF annual aggregate limit as stated below
- First party limit of liability for \$50,000 per loss per local unit and a \$100,000 annual aggregate per local unit.
- Foreclosed property with a limit of liability for \$1,000,000 per loss per local unit and \$1,000,000 annual aggregate per local unit.
- Public Officials Liability with a \$1,000,000 per loss per local unit and a \$1,000,000 annual aggregate per local unit limit of liability subject to the JIF annual aggregate limit as stated below.
- De Minimus Abandoned Property with a limit of \$50,000 per local unit and subject to the JIF annual aggregate as stated below.
- Legal Services with a \$500,000 per loss per local unit and \$500,000 annual aggregate per local unit subject to the JIF annual aggregate limit as stated below.

There is a deductible of \$5,000 per loss and the JIF annual aggregate limit of liability is \$3,330,170.

### **UNDERGROUD STORAGE TANK**

Coverage related to underground storage tanks is provided by EJIF to the following limits:

\$1,000,000 Each Incident  
\$1,000,000 Each Corrective Action  
\$1,000,000 Aggregate Limit  
\$100,000 Aggregate Defense Limit  
Deductible \$5,000 Each Incident

### **CYBER LIABILITY**

Coverage for Cyber Liability is provided by XL Insurance. The policy provides for third party coverage including Communication, Network Security Liability and Privacy Liability. First Party protection includes Extortion Threat, Crisis Management Expenses and Privacy Notification Costs.

The limits of liability are \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible. The limits are JIF wide and shared among the local member units. The policy also contains a \$500,000 sub-limit each for the following:

- Privacy Notification Costs
- Regulatory Fines/Claims Expenses for Privacy Liability
- Extortion Damages for Extortion Threat
- Crisis Management Expenses

### **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 negates excess insurance or reinsurance on behalf of the Fund.

Review of coverage in effect revealed the Fund at December 31, 2013 maintained the required coverage. In addition the Fund's contracts with their professionals require, the professionals to maintain coverage in excess of that required by statute and the review indicated the coverage maintained was in compliance with the contract provisions.

## **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 Armour S. Hulsart and Company and an audited report was filed with the Commissioner of the Department of Banking and Insurance.

## **TREATMENT OF MEMBERS**

The Fund records all complaints in the minutes under the correspondence section. The minutes include a copy of the written complaint and disposition thereof. In addition the TPA maintains a complaint register. During the review no unfair treatment of members was noted.

## **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	\$ 2,582,951	\$ 7,696,001
Investments	17,674,903	10,105,761
Accrued Interest Receivable	45,577	24,776
Dividend Receivable	-	54,019
Contributions Receivable	-	16,939
Other Receivables	20,536	-
Excess Insurance Receivable	511,158	448,278
Other Assets	223,786	279,908
<b>Total Assets</b>	<b>21,058,911</b>	<b>18,625,682</b>
<u>LIABILITIES</u>		
Case Reserves	7,379,217	7,486,850
IBNR Reserves	3,269,326	2,812,501
Total Reserves	10,648,543	10,299,351
Accounts Payable	2,077,460	912,132
Prepaid Contributions	9,513	4,747
Total Non-Claim Liabilities	2,086,973	916,879
<b>Total Liabilities</b>	<b>12,735,516</b>	<b>11,216,230</b>
<u>NET POSITION</u>		
Net Statutory Surplus - Unrestricted	8,323,395	7,409,452
<b>Total Liabilities and Surplus</b>	<b>\$ 21,058,911</b>	<b>\$ 18,625,682</b>

## EXHIBIT II

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

	<u>2013</u>	<u>2012</u>
<b><u>OPERATING REVENUE</u></b>		
Assessments	\$ 13,438,478	\$ 12,862,239
Miscellaneous Income	20,536	-
<b>Total Operating Revenue</b>	<b><u>13,459,014</u></b>	<b><u>12,862,239</u></b>
<b><u>EXPENSES</u></b>		
Claims Paid	4,014,391	3,408,970
Excess Insurance Premiums	3,955,286	3,904,916
General & Administrative Expenses	2,232,497	2,062,029
Case Reserves	785,892	2,124,864
IBNR Reserves	584,472	(298,815)
Total Expenses	<u>11,572,538</u>	<u>11,201,964</u>
<b>Operating Income (Loss)</b>	<b><u>1,886,476</u></b>	<b><u>1,660,275</u></b>
<b><u>NON-OPERATING REVENUE</u></b>		
Dividend Income	38,894	54,019
Investment Income	27,467	133,008
<b>Change in Net Position</b>	<b><u>1,952,837</u></b>	<b><u>1,847,302</u></b>
Net Position - Beginning of Year	7,409,452	6,616,169
Less: Distribution to Participating Members	(1,038,894)	(1,054,019)
Net Position - End of Year	<b><u>\$ 8,323,395</u></b>	<b><u>\$ 7,409,452</u></b>



## **LOSS RESERVES**

The loss reserves reported by the Fund at December 31, 2013 were \$10,648,543. A review by an actuary from the New Jersey Department of Banking and Insurance indicated the reserves established by the Fund were reasonable.

Data supporting the Fund's actuarial calculation was reconciled to supporting records without exception. 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 9 Campus Drive, Parsippany, New Jersey 07663. The courteous cooperation extended to the examiners by Fund Management is acknowledged.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Nancy Lee Chice".

Nancy Lee Chice CFE  
Insurance Examiner

MONMOUTH COUNTY MUNICIPAL 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 4<sup>th</sup> day of November 2015



Notary Public of New Jersey

My commission expires: July 2020