

**SUBURBAN MUNICIPAL JOINT INSURANCE FUND
OPEN MINUTES
NOVEMBER 12, 2015
SCOTCH PLAINS, NJ
8:00 AM**

Meeting of Fund Commissioners called to order by Chairman Tom Atkins. Open Public Meetings notice read into record.

PLEDGE OF ALLEGIANCE – Chairman Tom Atkins led Commissioners in the Pledge of Allegiance.

ROLL CALL OF FUND COMMISSIONERS:

| | | |
|---------------------------|---------------------------|---------|
| Tom Atkins, Chair | Borough of Watchung | Present |
| Bruce McArthur, Secretary | Township of Bernards | Present |
| James Gildea | Town of Westfield | Present |
| Gail McKane | Township of Harding | Present |
| Judy Sullivan | Township of Bedminster | Absent |
| Megan Champney | City of Summit | Present |
| Alexander Mirabella | Township of Scotch Plains | Absent |

EXECUTIVE COMMITTEE ALTERNATES:

| | | |
|--------------|--------------------------|---------|
| Janet Waite | Borough of Bernardsville | Present |
| James Debbie | Borough of Mountainside | Absent |
| Joseph Carty | Borough of Far Hills | Absent |

ALTERNATE FUND COMMISSIONERS:

| | | |
|----------------|--------------------------|---------|
| Sheila Tweedie | Borough of Far Hills | Present |
| Albert Ellis | Borough of Watchung | Absent |
| Terri Johnson | Township of Bernards | Absent |
| Sandra Jones | Borough of Bernardsville | Absent |

APPOINTED OFFICIALS PRESENT:

| | |
|--------------------------|--|
| Executive Director/Admin | PERMA Risk Management Services Cathleen Kiernan, Joseph Hrubash Nancy A. Ghani |
| Attorney | DiFrancesco, Bateman, Coley, Yospin, Kunzman, Davis & Lehrer Stephen Davis, Esq. |
| Claims Service | Qual-Lynx Robert Fox |
| Safety Director | J.A. Montgomery Dave McHale |
| JIF Underwriting Manager | Gallagher Bollinger Jack Dibble, Terri Giglio |
| Managed Care Provider | FMCO Thea Isabella |
| Treasurer | Ralph Maresca |

ALSO PRESENT:

Chan Coddington, Gallagher Bollinger
Ray Vaughn, Amalgamated General Agency
Hallee Weichler, Meeker Sharkey/James F. Hurley Agency
Craig Sutherland, Meeker Sharkey/James F. Hurley Agency

MINUTES: Open and Closed Minutes of October 8, 2015.

MOTION TO APPROVE OPEN & CLOSED MINUTES FOR OCTOBER 8, 2015:

Moved: Commissioner McArthur
Second: Commissioner Gildea
Vote: Unanimous – 1 Abstain (Commissioner McKane)

CORRESPONDENCE:

NONE

EXECUTIVE DIRECTOR:

REPORT: Monthly report submitted to Fund Commissioners including monthly Fast-track Accident Frequency, Fast-track Financial report, Claim Activity Report, Interest Rate Summary Comparison, Monthly Loss Ratio by fund year and line of coverage, MEL Loss Ratio Report and the Monthly and Annual Regulatory Checklist.

Executive Director referred to the Financial Fast Track as of September 30, 2015 and said the fund’s surplus stands at \$2 million. Executive Director reviewed the Loss Ratio report; with the exception of 2011 the fund’s losses for all lines are less than actuary development targets. Executive Director referred to the Employment Practices Compliance Report and said members are able to buy-down deductibles from what they are currently are to contact the fund office for more information.

2016 BUDGET: Last month, the Fund introduced the proposed 2016 budget. All members were mailed a notice of the public hearing and it was also advertised in the Fund’s designated newspaper.

Enclosed in the agenda was the proposed 2016 budget totaling \$4,858,410 representing an increase of 1.54%; assessments were distributed at the meeting for review.

MOTION TO OPEN THE PUBLIC HEARING ON THE 2016 BUDGET:

Moved: Commissioner Gildea
Second: Commissioner Tweedie
Vote: Unanimous

DISCUSSION OF BUDGET & ASSESSMENTS

Executive Director referred to the budget and said the only changes since introduction were minor and affected the MEL and MEL Property (*lines 14 and 15 of budget*) based on additional exposure changes made to the underwriting database.

Executive Director said the other change to the budget as discussed last month was the MEL’s implementation of a Retrospective Rating Program where the local fund will be billed 85% of the claims fund; the MEL Aggregate Excess Loss Fund Contingency (*line 5 of budget*) is the 15% difference of what the MEL will actually be billing.

Executive Director said if a member JIF's claims exceed the deposit premium, then an additional assessment will be generated. Executive Director said each fund's 10-year loss experience will determine whether their additional assessment exposure will be capped at 100%, 115% or 125% of the "base claims fund".

Executive Director said after the budget is adopted, the JIF can transfer the Aggregate Excess Loss Fund Contingency and every year make a deposit as needed based on annual calculations to be monitored by the fund office. Executive Director said reconciliation would be done after ten years to see if the JIF exceeded the deposit premium.

Executive Director said the MEL premium in line 14 has the experience rating applied, which will include factors that will be increased over a 4-year period. Executive Director said this JIF's 10-year loss ratio is favorable and as a result the MEL premiums are reducing, as well as the renewal rates.

Seeing no questions or comments

MOTION TO CLOSE THE PUBLIC HEARING:

| | |
|---------|----------------------|
| Moved: | Commissioner Tweedie |
| Second: | Commissioner Gildea |
| Vote: | Unanimous |

Commissioner McArthur thanked the staff at PERMA for the budget presentation, but wished to address a budgetary item before the budget is approved.

Commissioner McArthur inquired if administrative and mailings costs could be trimmed down by distributing agendas and/or notices via email instead of mailed copies. Commissioner McArthur provided an example where the recent dividend notice was emailed to Fund Commissioners and also mailed to Mayor & Council. Commissioner McArthur said it should be the Fund Commissioner's purview of how to receive documentation.

Executive Director agreed with Commissioner McArthur and said there are accounts that distribute their documentation exclusively through email. Executive Director noted that there are still individuals that rely on mailed over emailed documentation. Executive Director said the fund office will poll the Fund Commissioners on how they would like to receive the monthly agendas.

Executive Director said there was an additional budget item to be discussed and referred to the POL/EPL Premium (*line 12*) of the budget. Executive Director said last year's increase from XL Insurance was 21% for all JIFs, for 2016 XL Insurance proposed a 15% increase across all JIFs.

Mr. Hrubash said the current carrier, XL Insurance, indicated they would no longer participate in public entity business and based on this the MEL Deputy Underwriting Manager marketed the Public Officials/Employment Practices renewal for 2016 to other carriers.

Executive Director said QBE offered a quote at 5% increase in premiums for 2016 and another 5% in 2017 for all JIFs. Executive Director said this fund's positive claims experience resulted in a 2% increase as reflected in the budget.

Mr. Hrubash distributed a memorandum from the MEL Underwriting Manager which recommended MEL members move their POL/EPL program to QBE North America based on competitive renewal rates. Mr. Hrubash said a number of senior management at XL have moved over to QBE including the underwriting and claims management team that initially developed the MEL's program. In addition, QBE will continue to use Summit Risk as TPA and the same policy form.

Mr. Hrubash said since the POLEPL policy is a “claims made” policy, it is necessary for the fund to issue a ‘claims sweep’ notice to members who may have claims. A copy of the claims sweep letter was distributed; Executive Director said it would be mailed via certified mail as well as emailed.

All claims need to be reported by December 18th; failure to report a claim will result in a denial by QBE as being outside its policy term and XL will deny based on the notice not being received in timely manner according to policy terms. Executive Director said the same procedure in notifying members via a claims sweep was done when the coverage initially moved from the MEL to XL Insurance.

Mr. Hrubash referred to memorandum and said a major change at the MEL budget level was the property renewal with Zurich America who agreed to a flat rate renewal with an increase in per occurrence deductible from \$250,000 to \$500,000. Mr. Hrubash said the MEL assumed the difference in the increase and it does not impact the local JIF budget.

Mr. Sutherland asked if change in EPL/POL carrier includes a retro-date in the event a claim was not reported. In response, Mr. Hrubash said the policy has full prior acts coverage. Mr. Hrubash said QBE indicated verbal assurances, but would be meeting with them next week to confirm. Executive Director said this would apply except if the claim was known prior and given the importance the claims sweep is being sent via certified mail to the clerk ensure delivery.

Commissioner Waite asked if there is change in definition of winter storm and in response Mr. Hrubash said there are no changes in terms of conditions. Mr. Hrubash said the increase in the per occurrence deductible would affect the wind-storm deductible.

Chairman Atkins said he appreciated the comments of Commissioner McArthur and the budget presentation by PERMA.

MOTION TO APPROVE THE 2016 BUDGET:

Moved: Commissioner Gildea
Second: Commissioner Champney
Vote: 7 Ayes – 0 Nays

2016 ASSESSMENTS: Copies of the 2016 assessments were distributed. Executive Director said in accordance with the retrospective rating premium program as adopted by the fund in 2011 all members are increasing by the budget increase of 1.54%; the minimum and maximum amounts of the retrospective premiums are set relative to each member’s loss fund as compared to the actuarial loss pics.

MOTION TO APPROVE AND CERTIFY THE 2016 ASSESSMENTS:

Moved: Commissioner Gildea
Second: Commissioner Tweedie
Vote: 7 Ayes – 0 Nays

2015 DIVIDEND: Last month, the Fund Commissioners approved the release of \$60,000 from Closed Years. Enclosed in the agenda was a copy of the distribution of that dividend by member. A filing with the State was done on 10/28/15 and we are awaiting their response.

RCF REPORT: The RCF met on October 21, 2015 at 10:30 AM in the Forsgate Country Club as a public hearing to review the amended 2015 Budget and the proposed 2016 Budget; enclosed in the agenda was Commissioner Gildea’s report on the meeting.

Commissioner Gildea said the MEL Investment Committee released an RFP for Banking and Asset Manager Services. Based on responses received, the MEL Investment Committee made a recommendation to appoint award Wilmington Trust for Asset Management Services and Investors Bank for Banking Services. Commissioner Gildea said the RCF, EJIF and MEL accepted the recommendations awarded these firms the respected positions at their last meeting.

Commissioner Gildea said the RCF held a special meeting to review strategy to address its deficit and improve the fund's investment income by purchasing municipal bonds if granted by the NJ Department of Community Affairs

Executive Director said the RCF has a large cash balance and claims at this level take a long time to settle which erode the surplus. Executive Director said the lack of the fund's ability to invest aggressively affects the surplus and as noted in the report the RCF may be able to address this by purchasing municipal bonds if permitted and getting into a financial arrangement with a proposed Urban Centers JIF.

Executive Director said with respects to the Banking and Asset Manager, the MEL, RCF and EJIF along with a few other local funds that have Wells Fargo will be moving to Investors & Wilmington effective January 1, 2016. Executive Director said this JIF currently has an agreement with TD Bank, but said a move may result in a better financial position for the fund. Executive Director said she will discuss further with the Fund Treasurer to move the fund over during February or March.

Chairman Atkins said today's action includes appointing a representative to the RCF, EJIF and MEL and asked Commissioner Gildea if he would be willing to serve again in 2016.

In response, Commissioner Gildea said he would be willing to serve again and noted for future representatives that the commitment is typically all day, but meetings are scheduled at one location and are timed consecutively. Commissioner Gildea said the RCF, EJIF and MEL provide a whole picture of the program and have been a great learning experience.

EJIF REPORT: The EJIF met on October 21, 2015 at 10:50 AM in the Forsgate Country Club as a public hearing to review the proposed 2016 Budget; enclosed in the agenda was Commissioner Gildea's report on the meeting.

Chairman Atkins said the report referred to a change in the Environmental Engineer with the departure of staff from T&M and inquired if the fund still had these services.

In response, Commissioner Gildea said after the situation with the prior Environmental Engineer, the EJIF entered into contractual agreement with two firms – T&M and First Environment - designed to manage the northern and southern part of the State. In addition, two firms were hired in order not to disrupt services should internal conflicts arise.

Commissioner Gildea said the servicing team from T&M have departed, but services to the fund are not being interrupted. Commissioner Gildea said the EJIF will be issuing an RFQ for an Environmental Engineer. Executive Director said the EJIF will be meeting in November and should have a recommendation in place.

MEL REPORT: The MEL met on October 21, 2015 at 11:15 AM at the Forsgate Country Club to introduce the 2016 Budget; enclosed in the agenda was Commissioner Gildea's report on the meeting. The public hearing on the MEL 2016 budget will be held on November 18, 2015 at 5:00 PM in the Convention Center in Atlantic City - Room 305.

Chairman Atkins asked if Model Personnel Manual is again at the two year mark for updates. In response, Executive Director confirmed 2016 is the two-year cycle employment practices liability program where members will be asked to update their personnel models. Executive Director said in the past, members were asked to update their policies by April/May and the carrier would provide a retro-active date to January.

Executive Director said the underwriters that will manage this program for QBE have changed the timing so that members can submit all program material in advance of deadline. Executive Director said members will have the entire calendar year of 2016 to update their manuals as well as provide all the necessary trainings. Executive Director said the changes will be posted to the MEL website.

Commissioner Gildea added that the MEL recently concluded a study done by Marc Pfeiffer of Rutgers. Executive Directors said the study will be mailed to members; the study and additional materials will be posted on the MEL website.

Chairman Atkins said he would like to make the 2016 representative appointment for RCF, EJIF and MEL all at once and thanked Commissioner Gildea for his service and time.

MOTION TO ELECT JAMES GILDEA AS THE SUBURBAN MUNICIPAL JOINT INSURANCE FUND'S 2016 REPRESENTATIVE TO THE MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND, THE ENVIRONMENTAL JOINT INSURANCE FUND AND THE MUNICIPAL EXCESS JOINT INSURANCE FUND:

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|---------|-----------------------|
| Moved: | Chairman Atkins |
| Second: | Commissioner McArthur |
| Vote: | 7 Ayes – 0 Nays |

ELECTED OFFICIALS TRAINING: Executive Director said this year's elected officials training program will focus on Public Officials & Employment Practices. A session is scheduled at the League of Municipalities Conference for 3:45 pm in Atlantic City on Wednesday, November 18, 2015; enclosed in the agenda was the notice that was distributed to members.

As in the past, the MEL will reduce each member's 2016 liability claims fund assessment by \$250 (capped at 25% of the claims fund) for each municipal elected official and/or authority commissioner who completes the Elected Official course. The credit is also extended to the member's CEO (i.e. municipal manager/administrator or authority executive director). Executive Director said it is expected this program will also be offered online again and to expect a notice in the coming months.

JANUARY REORGANIZATION MEETING: Executive Director said the fund is not scheduled to meet in December and it would be appropriate to authorize the Treasurer to process contracted expenses. The January reorganization meeting has already been scheduled for Thursday January 14, 2016 in the Scotch Plains Municipal Building at 8:00AM.

MOTION TO AUTHORIZE THE TREASURER TO PROCESS CONTRACTED EXPENSES DURING THE MONTH OF DECEMBER:

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|---------|---------------------|
| Moved: | Commissioner Waite |
| Second: | Commissioner Gildea |
| Vote: | 7 Ayes – 0 Nays |

Executive Director's Report Made Part of Minutes.

TREASURER:

VOUCHER LIST:

NOVEMBER VOUCHER PAYMENTS, RESOLUTION 22-15

Fund Year 2015: \$53,116.84

Total: \$53,116.84

**CONFIRMATION OF CLAIMS PAYMENTS/CERTIFICATION OF CLAIMS'
TRANSFERS FOR MONTH OF SEPTEMBER 2015:**

| | |
|----------------|--------------------|
| Fund Year 2015 | 76,087.80 |
| Fund Year 2014 | 1,811.80 |
| Fund Year 2013 | 9,713.30 |
| Fund Year 2012 | 4,940.05 |
| Fund Year 2011 | 2,997.39 |
| TOTAL | \$95,550.34 |

**MOTION TO ADOPT RESOLUTION 22-15 APPROVING NOVEMBER BILLS
LISTS AND APPROVE CONFIRMATION & CERTIFICATION OF SEPTEMBER
2015 CLAIM TRANSFERS AS SUBMITTED:**

Moved: Commissioner Gildea
Second: Commissioner Tweedie
Roll Call Vote: 7 Ayes-0 Nays

Voucher List and Treasurer's Report Made Part of Minutes.

ATTORNEY:

REPORT: Included in the agenda was a report of appellate decisions impacting municipalities, which also included discussion on EPL/POL claims and sidewalk liability.

Fund Attorney said with respects to the carrier change from XL Insurance to QBE North America for EPL/POL coverage these types of cases create a lot of exposure for both members and carriers due to charged emotions. Fund Attorney said costs of these cases - especially those that are fee-shifting - will well exceed the indemnity. Fund Attorney said it is essential to work with labor counsel and the carrier to limit exposure on these oftentimes emotionally charged issues.

Executive Director said there was a situation in another fund whose policy included a hammer clause which allows a carrier to limit its claim payment to no more than the amount it could have settled for, plus defense costs. Executive Director said the town decided to push to trial and the settlement was higher than the originally agreed upon amount. Mr. Sutherland asked if the hammer clause is offered at a 100% or is there any particular participation by the insurer. In response, Executive Director said it is not arrived at very often because it's an adversarial position, but would have to confirm the insurer's participation.

Commissioner Waite referred to page 38 of the agenda and said the sentence "Properties found not be residential are predominantly owner occupied homes, churches and condo associations" included "not" as a typo; Fund Attorney confirmed the typo.

Discussion ensued on sidewalk liability and Fund Attorney said municipalities are creating exposure by not having ordinances in place for the maintenance and repair of sidewalks, but noted the existence of such ordinances do not always protect a municipality.

Executive Director said the MEL developed a “wish list” of legislative initiatives and increased protections from liability is on the list as it represents a significant amount of claims.

Commissioner Gildea said Westfield does have ordinances in place that puts the responsibility of sidewalks on abutting owner; it was increased it by adding curbing – after the town installs it - is responsibility of owner to maintain.

Fund Attorney said there are typically two defenses available to municipalities with respect to sidewalk liability: Allocation of Resources and Design and Plan Immunity and referenced examples of when they would apply.

Monthly Report Made Part of Minutes.

JIF UNDERWRITING MANAGER:

HONORARY DINNER – JANET WHITMAN: Mr. Coddington said Janet Whitman was the mayor of Summit at the time when discussions were being held about the formation of the Suburban Municipal JIF and was instrumental in its beginnings.

Mr. Coddington said the mayor recently retired, left Summit and will be relocating to Texas. Mr. Coddington said Gallagher Bollinger will be hosting a farewell dinner on April 14, 2016 to honor her services and said invitations would be sent to fund commissioners. Mr. Coddington said it would be appropriate for the fund to honor Ms. Whitman; Executive Director said a resolution will be prepared in time to present at the dinner.

LIST OF CERTIFICATES ISSUED - List of Certificates issued for October 2015 was included in the agenda for information.

Monthly Activity Report Made Part of Minutes.

MEL UNDERWRITING MANAGER:

LIST OF CERTIFICATES ISSUED - List of Certificates issued for the period of 9/24/15 to 10/20/15 were included in the agenda for information.

Monthly Activity Report Made Part of Minutes.

MANAGED CARE:

MONTHLY REPORT: Included in the agenda was the October 2015 report submitted by FMCO. Managed Care Provider said the total provider billed amount for 2015 as of October was \$991,056 and was re-priced to \$430,460 for a total savings of 57%.

Monthly Activity Report Made Part of Minutes.

SAFETY DIRECTOR:

MONTHLY REPORT: Included in the agenda was the October 2015 report noting the activities and trainings available, as well as announcements on the Fast Track to Safety courses throughout the year, Safety Director Alert on two recent Crossing Guard accidents and a Safety Director Bulletin on leaf collection safety.

Safety Director said John Zengel announced his decision to retire on January 1, 2016. Safety Director said Mr. Zengel will be asked to attend the Safety Breakfast in order to honor his services to the fund.

Report Made Part of the Minutes.

CLAIMS:

REPORT: Claims Administrator said they have Payment Authority Requests to present during Closed Session.

RESOLUTION - EXECUTIVE SESSION FOR CERTAIN SPECIFIED PURPOSES: PERSONNEL - SAFETY & PROPERTY OF PUBLIC LITIGATION

Moved: Commissioner McArthur
Second: Commissioner Mirabella
Roll Call Vote: Unanimous

PAYMENT AUTHORIZATION REQUESTS: Executive Committee reviewed payment authorization requests presented by Claims Service in Executive Session.

MOTION TO RETURN TO OPEN SESSION:

Moved: Commissioner Mirabella
Second: Commissioner Gildea
Roll Call Vote: Unanimous

MOTION TO APPROVE PAYMENT AUTHORIZATION REQUEST PRESENTED IN EXECUTIVE SESSION BY QUAL-LYNX:

Moved: Commissioner Gildea
Second: Commissioner Mirabella
Roll Call Vote: 8 Ayes - 0 Nays

OLD BUSINESS:

NONE

NEW BUSINESS:

NONE

PUBLIC COMMENT:

NONE

MOTION TO ADJOURN:

Moved: Commissioner Mirabella
Second: Commissioner Sullivan
Vote: Unanimous

MEETING ADJOURNED: 8:44 am

NEXT MEETING: NOVEMBER 12, 2015

SCOTCH PLAINS, 8:00 AM

Nancy A. Ghani, Account Manager
for
BRUCE MCARTHUR, SECRETARY

SUBURBAN MUNICIPAL JOINT INSURANCE FUND BILLS LIST

Resolution No. 22-15

NOVEMBER 2015

WHEREAS, the Treasurer has certified that funding is available to pay the following bills:

BE IT RESOLVED that the Suburban Joint Insurance Fund's Executive Board, hereby authorizes the Fund treasurer to issue warrants in payment of the following claims; and

FURTHER, that this authorization shall be made a permanent part of the records of the Fund.

FUND YEAR 2015

| <u>Check Number</u> | <u>Vendor Name</u> | <u>Comment</u> | <u>Invoice Amount</u> |
|---------------------|--------------------------------|--|-----------------------|
| 005545 | | | |
| 005545 | FIRST MANAGED CARE OPTION | MANAGED CARE SERVICES - 11/2015 | 6,210.45 |
| | | | 6,210.45 |
| 005546 | | | |
| 005546 | QUAL-LYNX | CLAIMS ADMIN - 11/2015 | 16,375.00 |
| | | | 16,375.00 |
| 005547 | | | |
| 005547 | J.A. MONTGOMERY RISK CONTROL | LOSS CONTROL SERVICES - 11/2015 | 3,832.42 |
| | | | 3,832.42 |
| 005548 | | | |
| 005548 | BOLLINGER INC. | UNDERWRITING MANAGER - 11/2015 | 5,908.28 |
| | | | 5,908.28 |
| 005549 | | | |
| 005549 | PERMA | POSTAGE FEE 10/2015 | 41.44 |
| 005549 | PERMA | EXECUTIVE DIRECTOR FEE 11/2015 | 13,050.00 |
| | | | 13,091.44 |
| 005550 | | | |
| 005550 | THE ACTUARIAL ADVANTAGE | ACTUARIAL CONSULTING SERVICES - 11/2015 | 2,477.50 |
| | | | 2,477.50 |
| 005551 | | | |
| 005551 | RALPH A MARESCA, JR | TREASURER FEE 11/2015 | 1,445.95 |
| | | | 1,445.95 |
| 005552 | | | |
| 005552 | NEWTECH SERVICES INC. | MONTHLY WEBSITE MAINTENANCE/HOSTNG 10/15 | 75.00 |
| | | | 75.00 |
| 005553 | | | |
| 005553 | ALLSTATE INFORMATION MANAGEMNT | ACCT: 416 - ACT & STOR - 09/30/2015 | 21.08 |
| | | | 21.08 |
| 005554 | | | |
| 005554 | DiFRANCESCO,BATEMAN,COLEY,YOSP | ATTORNEY FEE 10/2015 | 3,679.72 |
| | | | 3,679.72 |
| | | Total Payments FY 2015 | 53,116.84 |

TOTAL PAYMENTS ALL FUND YEARS \$ 53,116.84

Chairperson

Attest: _____

Dated: _____

I hereby certify the availability of sufficient unencumbered funds in the proper accounts to fully pay the above claims.

Treasurer