SOMERSET COUNTY JOINT INSURANCE FUND

2026 RISK MANAGEMENT PLAN

Introduction

The Somerset County Joint Insurance Fund (hereinafter the **Fund**) is a Joint Insurance Fund formed under the provisions of *N.J.S.A.* 40A:10-36 *et. seq*. Membership is comprised of local units and contracting units of government.

The **Fund** commenced operations on January 1, 1994.

The **Fund's** objectives include the following:

1. Providing our members with a long-term alternative to the conventional insurance market as a means of stabilizing the otherwise cyclical nature of insurance expenditures;

2. Maintain a pro-active posture of safety and loss prevention programs to reduce the possibility that a loss will occur and /or reduce the severity of those that do occur.

3. Aggressively evaluating, defending and/or settling claims made against members which fall within the coverages afforded through the **Fund**.

4. Maintaining a conservative funding posture in an effort to ensure long term financial security and stability for the **Fund** and, by extension, the membership thereof.

BE IT RESOLVED, by the **Fund's** Executive Committee, that the Plan of Risk Management shall provide for the following:

I. Perils or liability to be insured against:

The **Fund** offers the following for each participant:

- **Casualty Insurance Coverage Including:**
  - Comprehensive General Liability
  - Law Enforcement and Emergency Responder Liability
  - Employee Benefits Liability
  - Sexual Abuse Liability
  - Business Automobile Liability including Garagekeepers Liability, PIP and Uninsured Motorists Coverage
- **Property** including Inland Marine, Mobile Equipment Boiler and Machinery and Equipment Breakdown, and Automobile Physical Damage.
- **Workers' Compensation**
- **Blanket Crime** including public employee dishonesty; forgery or alteration; theft, disappearance and destruction; robbery and safe burglary; and computer fraud with funds transfer. Excludes Statutory Positions.
- **Public Officials, Educators Legal Liability and Employment Practices Liability**
- **Cyber Insurance (First and Third-Party Liability)**
- **Non-Owned and Unmanned Aircraft Liability**
- **Pollution Liability**
- **Specified Medical Professional Liability**
- **School Blanket Healthcare Provider Professional Coverage**

The terms and conditions of coverages are established by the **Fund** and are set forth in the plan document issued. Refer to all plan documents for specific terms, conditions and deductibles.

II. Coverages and Limits Provided by the Fund

The **Fund** participants share risk for the following coverages to the extent of the limits of liability shown. Mandatory participation is required for all coverage parts specified in this Risk Management Plan except where waived by the Fund Commissioners.

A. **Casualty Insurance** including: General Liability, Law Enforcement and Emergency Responder Liability, Employee Benefits Liability, Sexual Abuse Liability, and Automobile Liability including PIP and Uninsured and Underinsured Motorist Coverage. The limit of liability is twenty million dollars ($20,000,000). The Statutory minimum limit of liability is applicable to uninsured and underinsured motorist coverage.

1. **Fund** limit of liability is five hundred thousand dollars ($500,000) combined single limit per occurrence.

B. **Workers' Compensation, including Employer's Liability**. The limit of liability as per the NJ Statute, $8,000,000 for Employers Liability.

1. **Fund** limit of liability is $1,000,000 dollars.

C. **Property Damage** $250,000,000 Blanket Limit, Auto Physical Damage $5,000,000.

The **Fund's** deductible for each claim for loss or damage under the property policy shall be subject to a per occurrence deductible of two hundred thousand dollars ($200,000) per occurrence unless a specific deductible amount as shown below applies:

a. Wind/ Hail/Hurricane 2% of occurrence subject to $250,000 minimum
b. Flood $500,000 per occurrence. Flood coverages for locations within Federal Flood Zone "A" and "V" shall apply, per member, excess of limits available by the National Flood Insurance Program. Or the equivalent of said limits.
c. Auto Physical Damage $200,000 per occurrence
d. Earthquake $250,000 per occurrence

D. **Blanket Crime**, including Employee Theft; Forgery or Alteration; Inside / Outside the Premises, Computer Fraud, Faithful Performance of Duty; Money Orders and Counterfeit Paper Currency and Funds Transfer Fraud.

1. **Fund** limit of liability is $1,000,000 per loss.
   a. **Fund** deductible is twenty-five thousand dollars ($25,000) per loss.

III. Coverages and limits to be Purchased from a Commercial Insurer

A. Pollution Liability

1. Coverage is provided for onsite clean-up costs and third-party claims for bodily injury, property damage and clean-up costs resulting from environmental impairment conditions.

   a. Limit of Liability is $1,000,000 per incident/ $10,000,000 fund annual aggregate.
   b. Member Deductible is $25,000 per incident.

2. Above Ground/Underground Storage Tanks
   a. Above Ground Storage Tanks: Limit of Liability is $1,000,000 per incident/ $10,000,000 annual aggregate.
   b. Underground Storage Tanks: Limit of Liability is $1,000,000 per incident. Deductible is $5,000 for scheduled tanks.

B. Public Officials, Educators Legal Liability and Employment Practices Liability

a. Limits per Member are $20,000,000 each claim/annual aggregate/ $25,000,000 fund aggregate.
   A separate policy with dedicated limits and aggregate applies to the County of Somerset.

b. Individual member deductibles vary by **Fund member**.

C. Cyber Liability (first and third-party coverage) $2,000,000 Limit each incident, $5,000,000 annual aggregate.

a. Individual retentions vary by **Fund** member.

D. Non-Owned Aircraft & Unmanned Aircraft

a. **Non-Owned Aircraft,** $5,000,000 limit each incident
b. **Unmanned Aircraft,** $1,000,000 limit for scheduled and specified drones.

Excess Insurance and/or Reinsurance

When insurance is provided by a commercial insurer and /or reinsurer, the company establishes the terms and conditions for the coverage and is the provider of that coverage, not the **Fund**.

Coverage limits and the deductibles are negotiated each year, based upon availability, costs and other insurance marketplace conditions.
The **Fund** may establish loss contingency funds in advance with the regulations adopted by the Department of Banking & Insurance.

IV. . Operational Philosophy

A. General

As is the case with any organization, an established operating philosophy, formalized in a document such as this, is a necessary precursor to success. 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 that restate (and amplify) 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. Assessment Procedures

1. By November 15 of each year, the Actuary shall compute the probable net cost for the upcoming fund year by line of coverage.

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 total amount of each participant's annual assessment will be certified by majority vote of the Executive Committee to the governing body of each participating local unit at least one (1) month prior to the beginning of the next fiscal year.

4. The annual assessment for the **Fund** shall be paid in **TWO** installments as determined by the final budget as approved by the Fund Commissioners.

5. In the event the final budget adopted in December necessitates changes in the annual assessment, the second installment shall be adjusted to reflect this difference.

6. In the event that any assessment is not paid within ten (10) days of the due date set forth above, the local unit 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 Fund Commissioners or the Executive Committee, as the case may be, at the beginning of each year or at such other time as the Fund Commissioners or Executive Committee may determine.

7. The Treasurer shall deposit and record each member's assessment into the appropriate accounts including the administrative account, and the claim or loss retention Trust account by fund year for each type of coverage.

8. If a local unit becomes a member of the **Fund** after the start of the fund year, such member's assessment and supplemental assessment shall reduce in proportion to that part of the year which has elapsed.

C. Supplemental Assessments

The Fund Commissioners will, by majority vote of the total membership, levy upon the participants additional assessments whenever needed or so ordered by the Commissioner of Banking & Insurance to supplement the **Fund's** claim, loss retention or administrative accounts, to assure the payments of the Fund's obligation**.**

1. Supplemental assessments shall be charged to the participants for the applicable "**Fund Year**" and will be apportioned in relation to the assessment for that "**Fund Year**".

2. All participants will be given thirty (30) days advance notice of the **Fund's** intention to charge an additional assessment. The **Fund** will conduct a hearing before adopting the supplemental assessment.

3. Participants will have sixty (60) days to pay the **Fund** from the date the supplemental assessment is adopted.

The **Fund** will submit to the Commissioner of Banking & Insurance and the Commissioner of Community Affairs a report of the cause of the **Fund**'s insufficiency, the assessment necessary to replenish it, and the steps taken to prevent a recurrence of such circumstances.

If the Actuary has cause to believe there will be a shortfall in any of the **Fund**'s accounts, he/she shall notify the **Fund** at least ninety (90) days prior to such anticipated shortfall. The **Fund** shall implement the procedure set forth above or take such other action permissible by law to meet such shortfall.

Should any participant fail or refuse to pay its assessment or supplemental assessments, or should the **Fund** fail to assess funds required to meet its obligations, the Chairman, or in the event of his or her failure to do so, the Custodian of Funds, shall notify the Commissioner of Banking & Insurance and the Department of Community Affairs.

Insolvency and/or bankruptcy of a participant does not release the **Fund** or any participant of the **Fund** of joint and several liability for payment of any claim incurred by the participant during its period of membership, including, but not limited to, being subject to and liable for supplemental assessments.

D. Fund Commissioners and Executive Committee

Fund Commissioners, each a professional business official, 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 agencies. Fund Commissioners are encouraged to attend all meetings of the **Fund**,

to serve on committees studying current issues, to enhance their knowledge of risk management, and to encourage consistent, safe practices.

E. Fund Professionals

Providers of professional services to the **Fund** and individual members 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 members in particular are necessary elements of success.

F. Risk Management Consultants

Risk Management Consultants appointed by the **Fund** shall participate in and promote **Fund** activities. The success of the **Fund** will be a reflection of the services provided by the Risk Management Consultants. Risk Management, among other things is an essential element of the **Fund's** success.

The **Fund** shall provide for the services of an individual or firm to serve as a Risk Management Consultant to each member. The Risk Management Consultant shall not be a Fund Commissioner or Executive Committee member. The Risk Management Consultant shall advise the member on matters relating to the **Fund's** operation and coverages. The Risk Management Consultant shall be governed by the Producer Arrangement Plan and the Risk Management Consultant's contract.

G. Claims Response and Reserving

Were the philosophy of the **Fund** in these areas to be encapsulated into two sentences, they would read as follows:

1. "The **Fund** will thoroughly review and respond to each claim presented so as to pay only that amount (if any) which it is legally bound and obligated to pay."; and

2. "**Fund** reserving philosophy is to set reserves based upon the probable total claim cost will be at conclusion.

In reviewing each claim presented, the **Fund** (operating through its claims administrator and legal counsel) shall review such claims for coverage, deny those not falling within the purview of coverages offered, aggressively defend those in dispute, pursue to the fullest extent of the law those presented in bad faith, and settle as expeditiously as possible those for which the **Fund** is legally liable.

Case reserves, including all types of applicable allocated loss adjusting expenses, will be established with an eye toward identifying the full exposure of the **Fund** and its excess insurance carriers at the earliest possible date. Reserves shall be periodically reviewed for accuracy and adjusted as needed. For claims aged

eighteen (18) months or more, it is expected that reserves will be not less than 90% accurate. For claims aged thirty (30) months or more 95% accuracy is expected.

The assumptions and methodology used for the calculation of appropriate reserves shall be established, maintained and administered in accordance with sound actuarial principles.

H. Procedures Governing Loss Adjustment & Legal Fees

1. Loss Adjustment

The Executive Director/Administrator contracts with a claims servicing organization to receive incident reports, notices of claims, and other related information.

The claims servicing organization will, under contract to the Executive Director/Administrator/Third Party Administrator, perform the following:

a. Review each claim and loss report submitted by the participants during the term of this contract.

b. Conduct an investigation of each qualified claim or loss to the extent deemed necessary.

c. Maintain a file for each qualified claim or loss which shall be available for review by the **Fund**.

d. Adjust, settle, or resist all qualified claims or losses:

1) within the stated discretionary settlement authority limit ($75,000);

2) with specific approval of the **Fund**, if outside the stated authority limit.

e. Perform necessary and customary administrative and clerical work in connection with each qualified claim or loss, including the preparation of checks or vouchers, releases, agreements, and other documents needed to finalize a claim.

f. Establish and update claim reserves as needed.

g. Notify **Fund** and the **Fund**'s reinsurers as designated by the **Fund**, of all qualified claims or losses which may exceed the **Fund**'s retention or limit and, if requested, provide information on the status of those claims or losses.

h. Coordinate investigations on litigated claims with attorneys representing the **Fund** and with representatives of the reinsurers, as required. This includes the negotiation of settlements and preparation of subrogation and

contribution actions.

i. Review large and unusual claims.

j. Maintain an automated loss and information system, and provide the **Fund** with reports.

k. Provide forms needed to administer the **Fund** claim program.

l. Assist the **Fund** in selecting appropriate experts or specialists, as the claims may require.

m. Provide personnel needed to perform the services agreed to herein.

n. Maintain 24-hour emergency telephone service for claims reporting.

o. Acknowledge receipt of each claim.

p. Assist the **Fund** in the filing of periodic reports required by state or administrative regulation.

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

a. A list of approved defense attorneys.

The list will include attorneys with previous experience with workers' compensation and/or Title 59, and the Executive Committee shall approve a fee structure considered to be reasonable.

b. Monitoring the activities of the defense attorneys.

The claims servicing organization in conjunction with the Fund Attorney, will supervise all legal defense activity and experts.

The Fund Attorney may direct the amount of legal discovery in an effort to control costs.

I. Financial Management

Consistent with the objective of serving as a long term vehicle through which to stabilize the costs associated with insurance coverages, 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 is 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 that reflects the stewardship obligation of those whose hands through which they pass.

All actuarial, investment, treasury and banking functions of the **Fund** are to be accomplished in a manner consistent with the same legal and administrative standards applicable to governmental agencies in the State of New Jersey.

J. Safety and Loss Prevention

Every dollar spent to compensate for an avoidable loss, whether it be for property, workers' compensation or any other coverage afforded through the **Fund**, is a dollar which might better have been used. 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 unit's facility inspections.

2. Seminars or other training programs directed at specific areas of operations from which losses are likely to occur;

3. Promotional programs stressing safety in all operations and offering incentives for active participation by all Fund members.

K. Procedures for the Closure of Fund Years

The **Fund** shall evaluate and determine its retained outstanding ultimate net losses up to the attachment points of the specific 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 affected; or

2. Upon closure of all losses following an 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. The resolution shall provide for the maintenance of all records in accordance

with the requirements of the Commissioner of Banking and Insurance and Department of Community Affairs and other regulations and statutes then in effect.

2. The resolution shall provide for written notice to the Commissioner of Banking and Insurance and the Department of Community Affairs at least thirty (30) days before the resolution becomes effective.

3. In the event a member leaves the Fund, the Fund's governing body may assess the member's closed Fund Year account an amount not exceeding three (3) years stranded costs that the Fund incurs as a result of the member's withdrawal. Stranded costs are those expenses incurred by the Fund that would otherwise have been paid from the withdrawing member's assessments had the member remained in the Fund.

   The dividend of any member that is no longer a member of the Fund shall be held in escrow until the later of the tolling of the statute of limitations for all potential claims incurred during the membership period or the closure of all incurred claims by the Fund during the period of membership. A former member may apply to the Commissioners for a return of that member's remaining share of the closed Fund year account when five (5) years have passed since the last Fund year in which the member participated has been closed.

The purpose of this document is to highlight major coverages, limits, and sub-limits afforded through the **Fund**. This document is not a policy of insurance and in no way modifies, restricts, expands or in any other way changes the coverages 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.