

REPORT ON EXAMINATION
AS TO CONDITION OF THE
BERGEN 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:

**BERGEN 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 and addressed the fifteen-year period from December 31, 1999. The Fund was last examined at December 31, 2001. The examination was conducted at the office of the Fund's Executive Director, PERMA Risk Management Services, 9 Campus Drive, Suite 16, 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 Company's solvency.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

It was recommended that the TPA obtain surety coverage as required by regulation.

The Fund has complied with this recommendation.

HISTORY AND KIND OF BUSINESS

The Fund was established December 17, 1984, 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 Bergen County Fund began with sixteen members Closter Borough, Emerson Borough, Hillsdale Borough, Little Ferry Borough, Montvale Borough, New Milford Borough, Northvale Borough, Norwood Township, Old Tappan Borough, Oradell Borough, Park Ridge Borough, River Edge Borough, River Vale Township, Tenafly Borough, Westwood Borough, and Woodcliff Lake.

As of January 1, 2014, the Fund currently has 38 members. The following is a listing of members at December 31, 2013.

* Denotes charter member. ** Denotes former membership.

	<u>Date Joined</u>
• Closter Borough	** 1/01/85 to 1/1/89 - Returned 1/1/91
• Emerson Borough	1/01/85
• Hillsdale Borough	1/01/85
• Little Ferry Borough	1/01/85 to 1/01/04 (now South Bergen JIF member)
• Montvale Borough	1/01/85
• New Milford Borough	1/01/85
• Northvale Borough	** 1/01/85 to 1/1/89 - Returned 1/1/91
• Norwood Township	1/01/85

• Old Tappan Borough	1/01/85
• Oradell Borough	** 1/01/85 to 1/1/89 - Returned 1/1/92 *
• Park Ridge Borough	1/01/85
• River Edge Borough	1/01/85
• River Vale Township	1/01/85
• Tenafly Borough	1/01/85
• Westwood Borough	1/01/85
• Woodcliff Lake	1/01/85
Alpine Borough	2/01/85
Township of Washington	2/01/85
Dumont Borough	7/01/85
Ho-Ho-Kus Borough	5/01/85
Leonia Borough	5/01/85
Mahwah Township	5/01/85
Ramsey Borough	5/01/85
Midland Park Borough	9/01/85
Oakland Borough	9/01/85
Allendale Borough	1/01/86
Demarest Borough	1/01/86
Saddle River Borough	1/01/86
Cresskill Borough	4/01/87
Bergenfield Borough	1/01/89
Harrington Park Borough	4/01/91
Wyckoff Township	1/01/92
Waldwick Borough	2/13/92
Haworth Borough	7/01/92
Fair Lawn	1/01/93
Upper Saddle River	1/01/94
Franklin Lakes	7/01/95
Glen Rock	1/01/99
Ridgewood	1/01/02

The registered agent upon whom process may be served is PERMA, 9 Campus Drive, Parsippany, New Jersey 07054.

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 should meet the following criteria:

- (a) Be within Bergen County, but not necessarily contiguous;
- (b) Be homogeneous in size and operations;

- (c) Show a favorable loss history and generally have shown a proven dedication to Loss Prevention;
- (d) Show a willingness to participate in Fund activities and development; and,
- (e) Agree to comply with the state regulations which govern the Fund, the Fund Bylaws, and all 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 applicant's 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 applicants 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 two-thirds vote of the Executive Committee.

If the application is approved by the Fund, it shall be concurrently filed with the Department of Banking and Insurance and the Department of Community Affairs and shall be accompanied by such amendments to the Fund's By-laws, budget and plan of risk management as may be appropriate.

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. Maintain underwriting data.

4. Shall draft bid specifications for services as necessary.
5. 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: The 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: Lerch, Vinci & Higgins, LLP - 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: Russell Huntington – 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: Alan Negreann-- 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. 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.

Managed Care Provider: Bergen Risk Managers – 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: J.A. 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: 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.

Special Internal Auditor: Murphy, Russo and McFadden – The Internal Auditor shall perform the following:

1. Perform all of the duties of Internal Auditor for the Fund which may be set forth in the By-laws, Risk Management Plan, applicable statutes, regulations and policies adopted by the Fund's Executive Committee.
2. Perform the services set forth in the proposal letter of McGordy and Owen dated July 29, 1994. These services include Workers' Compensation, Vehicle, and Vehicle-Inland Marine Audits.
3. To professionally perform such other duties as may be determined 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 Bergen Risk Managers for Workers Compensation and JIF Claims, L.L.C. for liability claims

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:

<u>Commissioner</u>	<u>Municipality</u>
Liz White Councilwoman	Allendale Borough 500 W. Crescent Avenue Allendale NJ 07401
Paul Tomasko Mayor	Alpine Borough Church Street Alpine NJ 07620
William Senande Administrator	Bergenfield Borough 198 North Washington Avenue Bergenfield NJ 07621
Fred Pitofsky Commissioner	Closter Borough 295 Closter Dock Road Closter NJ 07624
James Cleary Councilman	Cresskill Borough 67 Union Avenue Cresskill NJ 07626
Raymond J. Cywinski Mayor	Demarest Borough 118 Serpentine Road Demarest NJ 07627
John Perkins Administrator	Dumont Borough 50 Washington Avenue Dumont NJ 07628
Elizabeth Garis Councilwoman	Emerson Borough Municipal Place Emerson NJ 07630
James VanKruiningen Manager	Fair Lawn Borough Municipal Building 8-10 Fair Lawn Avenue Fair Lawn, NJ 07410
Thomas Donch Commissioner	Franklin Lakes Borough Municipal Building De Korte Drive Franklin Lakes, NJ 07417
Lenore Benjamin Administrator	Glen Rock Borough Municipal Building Harding Plaza Glen Rock, NJ 07452

Paul Hoelscher
Mayor
Harrington Park Borough
85 Harriot Avenue
Harrington Park NJ 07640

M. John DeRienzo
Mayor
Haworth Borough
300 Haworth Avenue
Haworth NJ 07641-1298

Jonathan DeJoseph
CFO
Hillsdale Borough
380 Hillsdale Avenue
Hillsdale NJ 07642

Philip Rorty
Councilman
Ho-Ho-Kus Borough
333 Warren Avenue
Ho-Ho-Kus NJ 07423-1547

Jack Terhune
Administrator
Leonida Borough
312 Broad Avenue
Leonida NJ 07605

Brian Campion
Administrator
Mahwah Township
475 Corporate Drive
Mahwah NJ 07430

Patrick O'Hagan
Councilman
Midland Park Borough
280 Godwin Avenue
Midland Park NJ 07432

Maureen Larossi-Alwan
Administrator
Montvale Borough
12 Mercedes Drive
Montvale NJ 07645

Ann Subruzi
Mayor
New Milford Borough
930 River Road
New Milford NJ 07646

Roy Sokoloski
Councilman
Northvale Borough
116 Paris Avenue
Northvale NJ 07647

Lorraine McMackin
Clerk
Norwood Borough
455 Broadway
Norwood NJ 07648

Richard Kunze
Administrator
Oakland Borough
Municipal Plaza
Oakland NJ 07436

Patrick O'Brien
Administrator
Old Tappan Borough
227 Old Tappan Road
Old Tappan NJ 07675

Donna Risse Alonso
Councilman
Oradell Borough
355 Kinderkamack Road

	Oradell NJ 07649
Kelley O'Donnell Administrator	Park Ridge Borough 55 Park Avenue Park Ridge NJ 07656
Bruce Vozeh Administrator	Ramsey Borough 33 North Central Avenue Ramsey NJ 07446
Heather Mailander Clerk	Ridgewood Village 131 North Maple Avenue Ridgewood, NJ 07540
Sandy Moscaritolo Mayor	River Edge Borough 705 Kinderkamack Road River Edge NJ 07661
Gennaro Rotella Clerk	River Vale Township 406 Rivervale Road River Vale NJ 07675
Charles Cuccia Administrator	Saddle River Borough 100 E. Allendale Road Saddle River NJ 07458
Carol Byrne Tax Assessor	Tenafly Borough 100 Riveredge Road Tenafly NJ 07670
Ted Preusch Councilman	Upper Saddle River Borough 376 Upper Saddle River Road Upper Saddle River, NJ 07458
Don Sciolaro Councilman	Waldwick Borough 63 Franklin Turnpike Waldwick NJ 07463
Janet Sobkowicz Mayor	Washington Township 350 Hudson Avenue Washington Township NJ 07675
Robert Hoffmann Administrator	Westwood Borough 101 Washington Avenue Westwood NJ 07675
Kathleen Rizza Planning & Zoning Secretary	Woodcliff Lake Borough 188 Pascack Road Woodcliff Lake NJ 07675
Robert T. Shannon, Jr. Administrator	Wyckoff Township Memorial Hall Scott Plaza Wyckoff , NJ 07481-1907

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 may also elect up to four (4) additional 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. Alternates shall have all privileges and responsibilities of Executive committee members except they shall only vote when so designated below:

a. Alternates shall vote in established priority order, designated as alternate #1, alternate #2 etc. Alternate #1 shall vote in the absence of one member of the Executive Committee or in the absence of Alternate #1, Alternate #2 may vote, and so on.

Vacancies on the Executive Committee caused by a reason other than the expiration of the term of office may be filled by a majority vote of the full remaining membership of the Executive Committee.

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

OFFICERS:

Chairwoman, Carol Byrne - Borough of Tenafly
Secretary, Fred Pitofsky - Borough of Closter

FIVE MEMBER EXECUTIVE COMMITTEE

Mayor Patrick O'Hagan, Borough of Midland Park
Kenneth Gabbert, Administrator Village of Ridgewood
Mayor Paul Hoelscher, Borough of Harrington Park
Robert Hoffmann, Administrator Borough of Westwood
Mayor Paul Tomasko, Borough of Alpine

EXECUTIVE COMMITTEE ALTERNATES #1, #2, #3, #4

Charles Cuccia, Administrator Borough of Saddle River
Donna Alonso, Councilwoman Borough of Oradell
James Cleary, Councilman Borough of Cresskill
Mayor John Dean DeRienzo, Borough of Haworth

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 1st 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, maintain 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 Chairwoman was Carol Byrne, Tax Assessor and the Secretary was Commissioner Fred Pitofsky.

Standing Committees: The Bergen Fund has five standing committees. Appointments to these committees are made annually at the reorganization meeting in January. Each committee is chaired by a member of the Executive Committee. Duties of the committees are as follows:

Executive Safety: Coordinates the activities of the Safety Director and the relationship of same with member municipalities; evaluates, analyzes, and reviews the Fund's safety programs and makes recommendations to the Executive Committee; and monitors the Fund's Safety Incentive Program.

Coverage/Exposure: Charged with evaluating potential exposures and determining whether coverage or policy decision should be made by Executive Committee.

Contracts Review: Charged with reviewing professional service contracts for form and verbiage and determining the adequacy of scope of service.

Finance: Charged with the responsibility of in-depth analysis of all financial reports and data, including that of the Actuary, Auditor, and Treasurer, and developing a method of presenting such data in an understandable format for all members.

Nominating: Charged with review of candidates and selection of nominees for presentation in the event of an election of officer(s) or Executive Committee member(s). Review of candidates for the January reorganization meeting to be made in December.

Long Range Planning: Charged with review of JIF succession plans.

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

Executive Safety Committee*

Carol Byrne, Chair
Art Caughlan
Brian Eifert
Glenn Parsells
Virginia Forde
Ruth Falkenstern
Louis Apa
Olga Bobylak
Debra Ginetto
Gerard Quinn
Matthew Struck
Stephanie Wehmann

Coverage Committee*

Patrick O'Hagan, Chair
Robert Steinbruch
David J. Voza
Ralph Spataro
Debra Ginetto
Art Caughlan
Virginia Forde
Glenn Parsells
Charles Cuccia

Finance Committee*

Kenneth Gabbert, Chair
Robert T. Shannon, Jr.
Charles Cuccia
Frank Covelli

Nominating Committee*

Patrick O'Hagan, Chair
Kenneth Gabbert
Charles Cuccia

Long Range Planning

Robert Hoffmann, Chair
Carol Byrne
Virginia Forde

Frank Covelli
Arthur Caughlan

Contracts Review

Robert Hoffmann, Chair
Robert Shannon

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

INSURANCE COVERAGE 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 MEL do not provide primary flood coverage for any locations wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-year flooding, as defined by the Federal Emergency Management Agency. The member local unit may purchase this coverage from the National Flood Insurance Program

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 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:

Bergen 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 Bergen 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 Bergen County JIF purchased additional coverage ranging from 0 to \$8,000,000. The MEL has reinsured this coverage with A+ rated reinsurers.

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.

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

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 \$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 \$4,037,230.

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 negotiates excess insurance or reinsurance on behalf of the Fund.

Review of coverage in effect revealed at December 31, 2013 the Fund's maintained fidelity bond coverage as required by their contracts. They have a \$250,000 fidelity bond paid for by the Fund. In addition the review of coverages in effect indicated they were in accordance with statute.

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 Lerch, Vinci, Higgins, LLP and an audited report was filed with the Commissioner of the Department of Banking and Insurance.

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	\$ 6,909,220	\$ 2,715,766
Investments	2,022,490	5,050,760
Assessments Receivable	3,732,971	3,648,349
Accrued Interest Receivable	5,903	12,611
Dividend Receivable	-	98,093
Excess Insurance Receivable	996,015	494,021
Other Receivables	310,236	236,375
Prepaid Items	1,727	-
Total Assets	<u>13,978,562</u>	<u>12,255,975</u>
<u>LIABILITIES</u>		
Case Reserves	7,522,320	6,321,227
IBNR Reserves	2,379,146	2,137,450
Total Reserves	9,901,466	8,458,677
Accounts Payable	69,835	59,767
Excess Insurance Premiums Payable	-	149
Other Liabilities	18,875	24,316
Unearned Revenue	273,137	278,090
Total Non-Claim Liabilities	361,847	362,322
Total Liabilities	<u>10,263,313</u>	<u>8,820,999</u>
<u>NET POSITION</u>		
Net Statutory Surplus - Unrestricted	3,715,249	3,434,976
Total Liabilities and Surplus	<u>\$ 13,978,562</u>	<u>\$ 12,255,975</u>

EXHIBIT II

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

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUE</u>		
Assessments	\$ 15,549,356	\$ 15,002,102
Other Income	-	559
Total Operating Revenue	<u>15,549,356</u>	<u>15,002,661</u>
<u>EXPENSES</u>		
Claims Paid	5,182,516	5,408,634
Excess Insurance Recoverable	(501,994)	(169,631)
Excess Insurance Premiums	4,635,514	4,970,115
Other Insurance Premiums	1,303,292	1,190,471
General & Administrative	2,719,592	2,667,550
Case Reserves	1,201,093	(894,642)
IBNR Reserves	241,696	562,789
Total Expenses	<u>14,781,709</u>	<u>13,735,286</u>
Operating Income (Loss)	<u>767,647</u>	<u>1,267,375</u>
<u>NON-OPERATING REVENUE</u>		
Dividend Income	70,627	98,093
Investment Income	12,626	67,219
Total Nonoperating Revenues	<u>83,253</u>	<u>165,312</u>
Change in Net Position	<u>850,900</u>	<u>1,432,687</u>
Net Position - Beginning of Year	3,434,976	2,500,382
Less: Distribution to Participating Members	(570,627)	(498,093)
Net Position - End of Year	<u>\$ 3,715,249</u>	<u>\$ 3,434,976</u>

CASE RESERVES/IBNR

The IBNR reserve reported by the Fund at December 31, 2013 was \$2,379,146 and the case reserves at December 31, 2013 were \$7,522,320. A review by an actuary from the New Jersey Department of Banking and Insurance indicated the IBNR reserve established by the Fund was reasonable.

Data supporting the Fund's actuarial calculation was reconciled to supporting records. During this review 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 (PERMA) 9 Campus Drive, Suite 16, New Jersey 07054. The courteous cooperation extended to the examiners by Fund Management is acknowledged.

Respectfully submitted



Nancy Lee Chice,
CFE Insurance Examiner

BERGEN 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 *4th* day of *November* 2015


Notary Public of New Jersey

My commission expires: *July 2020*