RESOLUTION 16-25

Union County Insurance Commission
2025 Plan of Risk Management

BE IT RESOLVED by the Insurance Commission's governing body that effective January 1st, 2025 the 2025 Plan of Risk Management shall be:

The Perils or Liability to be Insured Against

The Insurance Commission insures the following perils or liability:

1. Workers' Compensation including Employer's Liability
2. Liability including General, Law Enforcement, Automobile and Employee Benefits Liability
3. Property, Automobile Physical Damage and Boiler & Machinery.

The following coverages are provided to the Insurance Commission's member entities by the County's membership in the New Jersey Counties Excess Joint Insurance Fund **(NJC)**

1. Excess Workers' Compensation including Employers' Liability
2. Excess Liability including General, Law Enforcement, Automobile and Employee Benefits Liability
3. Excess Property including Boiler & Machinery
4. Public Officials Liability / Employment Practices Liability
5. Crime
6. Pollution Liability
7. Employed Lawyers Liability
8. Non-Owned Aircraft Liability
9. Cyber

The Limits of Coverage

NOTE: Each Member entity is responsible for paying up to its individual self-insured retention/deductible on the ancillary lines of insurance purchased from the commercial market via the NJC. The above description is a general overview of the coverage and limits provided by the Insurance Commission. The actual terms and conditions are defined in the individual policy documents and this Risk Management Plan. All issues and/or conflicts shall be decided upon by the individual policy documents. Additional limits, sublimits, deductibles, retentions, terms and conditions apply.

1. Workers' Compensation
   - Workers' Compensation: Statutory
   - Employer's Liability: $21,150,000
   - USL&H and Harbor Marine/Jones Act: Included

2. Liability (General, Automobile, Law Enforcement and Employee Benefits Liability)
   - Limit: $15,000,000 each / $20,000,000 aggregate (Automobile unaggregated)
     - a. Personal Injury Protection (PIP): $250,000
     - b. Underinsured/Uninsured Motorists Liability: $15,000 / $30,000 / $5,000
     - c. Unmanned Aircraft: $5,000,000

3. Public Officials/ Employment Practices Liability - Limit: $10,000,000 each claim / aggregate - Retentions:
    - a.POL: $250,000
    - b.EPL: $250,000

4. Employed Lawyers Liability
    Limit: $5,000,000 per claim/ $10,000,000 aggregate
    Retention: $25,000 per claim

5. Non-Owned Aircraft
    Limit: $9,000,000 CSL for Bodily Injury and Property Damage Liability
    Medical Expense: $5,000 each passenger
    Rotor Wing: $5,000,000

6. Property including Boiler & Machinery - $260,000,000 Per Occurrence
    Sublimits:
    - a. Breakdown: $100,000,000
    - b. Earthquake: $200,000,000 (Annual Aggregate)
    - c. Flood: $100,000,000 (Annual Aggregate)
        1. High Hazard Flood: $75,000,000
    - d. Vehicles: $10,000,000 (PD Only)
        1. Time Element Extra Expense: $500,000
    - e. Garagekeepers Liability: Included
    - f. Working Dogs: $100,000

    Property Deductibles
    - a. All Other: $250,000 per occurrence
    - b. Equipment Breakdown: $50,000 per occurrence
    - c. Flood, SFHA:
        1. Building: Max available NFIP Limit ($500,000)
        2. Contents: Max available NFIP Limit ($500,000)
        3. Time Element: $500,000
    - d. Named Storm:
        1. Property Damage: 1% of the value per Schedule of Values on file with the company for those buildings where the direct physical loss or damage occurred, per occurrence
        2. Time Element: 1% of the full 12 months Gross Earnings or Gross Profit values that would have been earned following the Occurrence by use of the facilities at the Location where the direct physical loss or damage occurred and all other Locations where Time Element loss ensues, per occurrence.
        3. Minimum Deductible: $500,000 per occurrence

    Member Deductibles
    - a.Union County: $0

7. Crime
    Limit: $1,000,000
    Deductible: $25,000

8. Pollution Liability
    Limit: $10,000,000 per claim/ $25,000,000 aggregate
    Deductible: $50,000

9. Employed Lawyers Liability

Limit: $5,000,000 per claim/ $10,000,000 aggregate
Retention: $25,000

10. Cyber

Limit: $250,000
Deductible: $0

<u>The amount of risk to be retained by the Insurance Commission</u> *<u>/except as noted in section 2. Limits of coverage/</u>*

1. Workers' Compensation (all coverages): $300,000
2. Liability (all coverages): $250,000
   a. Underinsured/Uninsured: $15,000 / $30,000 / $5,000
   b. Personal Injury Protection: $250,000
3. Public Officials /Employment Practices Liability: None
4. Property: $250,000
   a. Working Dogs: $100,000
   b. Flood, SFHA:
      i. Building: Max available NFIP Limit ($500,000)
      ii. Contents: Max available NFIP Limit ($500,000)
   c. Equipment Breakdown: $50,000 excess of $50,000
5. Crime: None
6. Pollution Liability: None
7. Employed Lawyers Liability: None
8. Non-Owned Aircraft: None
9. Cyber: $250,000
10. Auto Phys Dam: $100,000

Coverage to be purchased from a commercial insurer

The Insurance Commission does not purchase commercial insurance.

Reinsurance to be purchased

The Insurance Commission does not purchase reinsurance.

The amount of unpaid claims to be established

The general reserving philosophy is to set reserves based upon the probable total cost of the claim at the time of conclusion. Historically, on claims aged eighteen (18) months, the Insurance Commission expects the claims servicing company to set reserves at 85% accuracy. The Insurance Commission also establishes reserves recommended by the Insurance Commission's Actuary for claims that have been incurred but not yet reported so that the Insurance Commission has adequate reserves to pay all claims and allocated loss adjusted expense liability.

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

The method of assessing contributions to be paid by each member of the Insurance Commission when applicable

By November 15th of each year, the actuary computes the probable net cost for the upcoming Insurance Commission year by line of coverage and for each prior Insurance Commission year. The Actuary includes all budget items in these computations. The annual assessment of each participating member entity is it's pro rata share of the probable net cost of the upcoming Insurance Commission year for each line of coverage as computed by the Actuary.

The calculation of pro rata shares is based on each member's experience modified manual premium for that line of coverage. The Insurance Commission's Governing Body also adopts a capping formula which limits the increase of any member's assessment from the preceding year to the Insurance Commission wide average increase plus a percentage selected by the Governing Body. The total amount of each member's annual assessment is certified by majority vote of the Insurance Commission's Governing Body at least one (1) month prior to the beginning of the next fiscal year.

The Treasurer deposits each member's assessment into the appropriate accounts, including the administrative account, and the claim or loss retention trust Insurance Commission account by Insurance Commission year for each type of coverage in which the member participates.

If a member entity becomes a member of the Insurance Commission or elects to participate in a line of coverage after the start of the Insurance Commission year, such participant's assessments and supplement assessments are reduced in proportion to that part of the year which had elapsed.

The Insurance Commission's Governing Body may by majority vote levy upon the participating member entities additional assessments wherever needed or so ordered by the Commissioner of Insurance to supplement the Insurance Commission's claim, loss retention or administrative accounts to assure the payment of the Insurance Commission's obligations. All supplemental assessments are charged to the participating member entities by applicable Insurance Commission year, and shall be apportioned by the year's assessments for that line of coverage.

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

Procedures governing loss adjustment and legal expenses

The Insurance Commission engages a claims service company to handle all claims. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the Insurance Commission Attorney, the NJC's attorney's office, as well as the claims department of the NJC's major excess insurers (i.e. Underwriters at Lloyds (Brit) and Safety National Casualty Company for workers' compensation). Every three years, the NJC's internal auditors also conduct an audit.

Each member entity is provided with a claims reporting procedure and appropriate forms.

In order to control workers' compensation medical costs, the Insurance Commission has engaged a managed care organization (MCO) *through the claims service company* whose procedures are integrated into the Insurance Commission's claims process.

To provide for quality defense and control costs, the Insurance Commission has established an approved defense attorney panel with firms which specialize in Title 59 matters. The performance of the defense attorneys is overseen by the Insurance Commission Attorney, as well as, the various firms which audit the claims adjusters.

Procedures for the closure of Insurance Commission years, including the maintenance of all relevant accounting records

Not applicable.

Assumptions and Methodology used for the calculation of appropriate reserves requirements to be established and administered in accordance with sound actuarial principles.

The general approach in estimating the loss reserves of the Insurance Commission is to project ultimate losses for each Insurance Commission year using paid and incurred loss data. Two traditional actuarial methodologies are used: the paid loss development method and the incurred loss development method. From the two different indications resulting from these methods the Insurance Commission Actuary chooses a "select" estimate of ultimate losses. Subtraction of the paid losses from the select ultimate losses yields the loss reserve liability or Insurance Commission funding requirement.

The following is an overview of the two actuarial methods used to project the ultimate losses.

1. Paid Loss Development Method - This method uses historical accident year paid loss patterns to project ultimate losses for each accident year. Because this method does not use case reserve data, estimates from it are not affected by changes in case reserving practices. However, the results of this method are sensitive to changes in the rate of which claims are settled and losses are paid, and may underestimate ultimate losses if provisions are not included for *very* large open claims.
2. Case Incurred Loss Development Method - This method is similar to the paid loss development method except it uses historical case incurred loss patterns (paid plus case outstanding reserves) to estimate ultimate losses. Because the data used includes case reserve estimates, the results from this method may be affected by changes in case reserve adequacy.

The maximum amount a certifying and approving officer may approve pursuant to N.J.A.C. 11:15-2.22

1. $25,000 for workers compensation claims
2. $15,000 for liability claims
3. $15,000 for auto physical damage claims and $25,000 for property claims
4. With the advance approval of the Insurance Commission Attorney or Executive Director, the certifying and approving officer may also pay hospital bills if waiting until after the next regularly scheduled Insurance Commission meeting would result in the loss of a discount on such bills. When the certifying and approving officer utilizes this authority, a report shall be made to the Commissioners at their next meeting.

Adopted by the Governing Body this *25th Day of March 2025*

Amy A Wagner

COMMISSION CHAIRPERSON

ATTEST:

Claudia Martins

COMMISSION VICE CHAIRPERSON