

**MUNICIPAL EXCESS RESIDUAL CLAIMS LIABILITY FUND
MINUTES
JANUARY 7, 2015 - REORGANIZATION
FORSGATE COUNTRY CLUB, JAMESBURG, NJ
10:30 AM**

Meeting of Executive Committee called to order by David Matchett.

ROLL CALL OF 2014 EXECUTIVE COMMITTEE/FUND COMMISSIONERS:

DAVID MATCHETT	Chairman	Burlco	Present
WILLIAM CLOSE	Secretary	Morris	Present
BRIAN BIGLER	Exec Comm.	NJUA	Present
TOM NOLAN	Exec Comm	Monmouth	Present
WILLIAM COTTMAN	Exec Comm	MEL	Present
PAUL SHIVES	Exec Comm	Ocean	Present
MADELINE COOK	Exce Comm	PHA	Present
RICHARD HIRSCH	Alt #1	Atlantic	Present
JOSEPH WOLK	Alt #2	Camden	Present
JOSEPH CATENARO	Alt #3	Sub Essex	Present
JAMES GILDEA	Alt #4	Sub Muni	Present
SCOTT CAREW	Alt#5	PMM	Present
ROBERT LANDOLFI	Alt#6	Central	Present
ROBERT LAW	Alt#7	Trico	Present
PATRICK O'HAGAN	Alt #8	Bergen	Present
GREGORY FRANZ	Alt #9	South Bergen	Absent

Executive Director

PERMA Risk Management Services

**David N. Grubb, Joseph Hrubash
Cathleen Kiernan**

Deputy Executive Director

Arthur J. Gallagher RMS, Inc.

Paul Miola, Paul Forlenza

Attorney

Dorsey & Semrau

Fred Semrau, Esq.

Treasurer

Charles Cuccia

Claims Supervisor

CB Claims

Christopher Botta

Actuary

The Actuarial Advantage

Eric Bause

ALSO PRESENT:

Tammy Fetherman, Lacey MUA – EJIF Commissioner
Ed Sciolli, Conner Strong & Buckelew

Kathleen Tyler Schohl, Qual-Lynx
Francis J. Kelly, BGIA
Michael Avalone, Conner Strong & Buckelew
Robert Gilliam, Vanguard Claims
Adam Foster, Vanguard Claims
Brian Gilliam, Vanguard Claims
Jon Rheinhardt, MEL Chariman, Morris JIF
Steven Sacco, Perma
Brad Stokes, Perma
Jason Thorpe, Perma
Nancy Ghani, Perma
Joeen Ciannella, Perma

APPROVAL OF MINUTES: October 15, 2014 Open Session

MOTION TO APPROVE OCTOBER 15, 2014 MINUTES:

Moved: Commissioner Cook
Second: Commissioner Nolan
Vote: Unanimous

Mr. Grubb announced that Joseph Hrubash would now serve as Executive Director and Cathleen Kiernan as Deputy Executive Director of the RCF. Mr. Grubb said the RCF fund has and continues to be a successful operation since 1995. Mr. Grubb acknowledged former Chairman Joe Giorgio, former Chairman John Willadsen and current Chairman David Matchett as well as the Claims Committee Commissioners were acknowledged for their service. Mr. Grubb said he would still be attending meetings, but would step down as Executive Director and Mr. Hrubash would be assuming that role.

SINE DIE MEETING ADJOURNED AND EXECUTIVE DIRECTOR ASKED TO RUN MEETING

Executive Director called the meeting to order. The 2015 Proposed Slate was presented.

2015 Proposed Slate

DAVID MATCHETT	Chairman	Burlco
WILLIAM CLOSE	Sec	MORRIS
BRIAN BIGLER	Exec Comm.	NJUA
TOM NOLAN (Alternate is Tom Rogers)	Exec Comm.	Monmouth
WILLIAM COTTMAN	Exec Comm.	MEL
PAUL SHIVES (Alternate is Diane Lapp)	Exec Comm.	Ocean
MADELINE COOK	Exec Comm.	PHA
RICHARD HIRSCH	Alt 1	Atlantic
JOSEPH WOLK	Alt 2	Camden
JOSEPH CATENARO	Alt 3	Sub Essex
JAMES GILDEA	Alt 4	Sub-Muni
SCOTT CAREW	Alt 5	PMM
ROBERT LANDOLFI	Alt 6	Central
ROBERT LAW	Alt 7	Trico
PATRICK O'HAGAN (Alternate is Paul Tomasko)	Alt 8	Bergen
GREGORY FRANZ	Alt 9	South Bergen

Executive Director asked for any other nominations for the positions outlined. Hearing none, he asked for a motion to close nominations and confirm the slate as presented.

ELECTION OF 2015 CHAIRMAN, SECRETARY, 5-MEMBER EXECUTIVE COMMITTEE AND 9 ALTERNATES:

MOTION TO CLOSE NOMINATIONS AND NOMINATE THE SLATE AS PRESENTED

Moved:	Commissioner Shives
Second:	Commissioner Carew
Vote:	15 Ayes – 0 Nays

ATTORNEY ADMINISTERED OATH OF OFFICE TO OFFICERS, EXECUTIVE COMMITTEE AND ALTERNATES.

2015 REORGANIZATION

RESOLUTION 1-15 FUND PROFESSIONAL APPOINTMENT AND PROFESSIONAL SERVICE AGREEMENTS: Resolution included in the agenda to confirm appointments of Fund Professionals approval of Professional Service Agreements. Executive Director said the RCF board resolved to award professional service agreements in accordance with a fair and open process pursuant to N.J.S.A. 19:44A-20.4 et. seq. for fund years 2015, 2016 and 2017. In October 2014, the Board of Fund Commissioners accepted a recommendation reflecting professional compensation for Fund year 2015; the enclosed resolution noted the 2015 fees. Executive Director said page 7 of the agenda did not state the fees for Fund Auditor; Ms. Ghani apologized for the typo and said the fee should be \$21,407.

Executive Director	PERMA Risk Management Services
Deputy Executive Director	Arthur J. Gallagher Risk Management Service
Actuary	The Actuarial Advantage
Attorney	Fred Semrau, Esq. - Dorsey & Semrau
Claims Agent	Christopher Botta, Esq. - CB Claims LLC
Treasurer	Charles Cuccia
Asset Manager	Wells Capital Management
Auditor	Ferriaioli, Wielkottz, Cerulla & Cuva
Claims Data Consultant	Qual-Lynx

RESOLUTION 2-15 ESTABLISHING A FISCAL MANAGEMENT PLAN: Resolution submitted designating Official Depositories and approving a Cash Management Plan; authorizing Signatories on Administrative Accounts; and authorizing Signatories on Claim Accounts; establishing a rate of interest for delinquent assessments; and certifying Approval Officer for all Fund expenses. The Chairman, Secretary, Treasurer and Commissioner Gregory Franz were authorized as check signers.

RESOLUTION 3-15 ESTABLISHING PUBLIC MEETING PROCEDURES: Resolution presented establishing 2015 Meeting Dates and official newspaper:

That the FUND shall hold public meetings during the year 2015 at 10:30 AM in the Forsgate Country Club, Jamesburg NJ on Wednesday, March 4, 2015, Wednesday June 3, 2015, September 2, 2015, October 21, 2015 and January 6, 2016 at 10:30 am at the Forsgate Country Club, Jamesburg NJ.

The RCF Claims Committee will meet on the same day as the Executive Committee at the above listed locations at 9:00AM before the Fund meeting. The RCF Claims Committee will not be meeting in November.

The following is hereby designated the official newspaper (s) of the Fund:
The Star Ledger, Newark, New Jersey 08102 and the MEL web site,
www.NJMEL.org

RESOLUTION 4-15 ESTABLISHING FUND RECORDS PROGRAM: William Close, Fund Secretary was designated as custodian of the FUND and Account Manager for PERMA Risk Management Services, was designated as Assistant Fund Secretary.

RESOLUTION NO. 5-15 ESTABLISHING THE 2015 PLAN OF RISK MANAGEMENT:
Resolution enclosed noting Member Fund Coverages, Fund Years, Limits, Reserves.

**MOTION TO ADOPT RESOLUTIONS 1-15 AS AMENDED AND
RESOLUTIONS 2-15 through 5-15:**

Moved: Commissioner Cook
Second: Commissioner Shives
Roll Call Vote: 15 Ayes – 0 Nays

Resolutions Made Part of the Minutes.

COMMITTEE APPOINTMENTS: Chairman Matchett re-appointed committee members and asked if anyone was interested in serving on any of the committees to please notify him. Commissioners Close and Catenaro said they will not be able to serve on the Claims Committee.

TREASURER: Treasurer thanked the board for re-appointment.

CONFIRMING NOVEMBER 2014 VOUCHER PAYMENTS (BILLS LIST):

2014	37,794.53
TOTAL	37,794.53

CONFIRMING DECEMBER 2014 VOUCHER PAYMENTS (BILLS LIST):

2009	53.06
2011	17.69
2012	1750.95
2013	4179.34
2014	28,275.48
TOTAL	34,276.52

**RESOLUTION 6-15, CONFIRMING JANUARY 2015 VOUCHER PAYMENTS
(BILLS LIST):**

2014	24,575.49
2015	19,513.46
TOTAL	44,088.95

**MOTION TO CONFIRM NOVEMBER 2014 AND DECEMBER 2014 PAYMENTS
AND TO ADOPT RESOLUTION 6-15 APPROVING VOUCHER LISTS, AS
SUBMITTED**

Moved: Commissioner O'Hagan
Second: Commissioner Wolk
Roll Call Vote: 15 Ayes – 0 Nays

EXECUTIVE DIRECTORS: Executive Director thanked the board for re-appointment.

RE-ORGANIZATIONAL RESOLUTIONS: Resolutions enclosed in the agenda booklet were condensed into Professional Appointments, Establishing Fiscal Management and Establishing Meeting Procedures.

FUND PROFESSIONALS & PROFESSIONAL SERVICE AGREEMENTS: The RCF board resolved to award professional service agreements in accordance with a fair and open process pursuant to N.J.S.A. 19:44A-20.4 et. seq. for fund years 2015, 2016 and 2017. In October, the Board of Fund Commissioners accepted a recommendation reflecting professional compensation for Fund year 2015.

CLAIMS COMMITTEE: The Claims Review Committee met in December and is scheduled to meet at 9:00 AM on the day of the Commissioner's meeting. Minutes of the December meeting were enclosed under separate cover.

INCLEMENT WEATHER PROCEDURE: A procedure has been instituted for Commissioners to confirm whether a meeting has been cancelled. The Executive Director will talk to the Chairman to determine if a meeting should be cancelled. In the case of an early morning or evening meeting, PERMA will leave a message which can be obtained by dialing the Fund's main number (201) 881-7632. For meetings that occur during normal business hours, meeting status can also be obtained by dialing the Fund office.

ATTORNEY: Fund Attorney thanked the board for re-appointment and said there was nothing to report for the month.

OLD BUSINESS:

NONE

NEW BUSINESS:

NONE

PUBLIC COMMENT:

NONE

MOTION TO ADJOURN:

Moved:	Commissioner Catenaro
Second:	Commissioner Bigler
Vote:	Unanimous

MEETING ADJOURNED: 10:40 am

Nancy A. Ghani, Assisting Secretary
for
William Close, SECRETARY

**RESOLUTION NO. 1-15
OF THE
MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND**

APPOINTING CERTAIN PROFESSIONALS AND SERVICE ORGANIZATIONS

WHEREAS, The Municipal Excess Liability Residual Claims Fund (hereinafter the Fund) finds it necessary and appropriate to obtain certain professional services and other extraordinary and other unspecifiable services, as defined in the Local Public Contracts Law, (N.J.S.A. 40A-12 et. seq.) for the 2015, 2016 & 2017 Fund years; and,

WHEREAS, NJSA 40a11-15 (6) allows for a contract duration of three (3) years; and,

WHEREAS, the Fund resolved to award Professional Service Agreements in accordance with a fair and open process pursuant to NJSA 19:44A-20.4 et. seq.; and,

WHEREAS, a notice soliciting proposals was published in the Star Ledger , 2014 issue of the June 19th edition and posted on the MEL website www.njmel.org; and,

WHEREAS, responses were received from professional service providers and service organizations as listed below on July 15, 2014 at 2 pm; and,

WHEREAS, the Board of Fund Commissioners recommends the award of contracts to the below listed Professional Service Providers and service organizations based on a review of their; responses, experience and prior service provided at the rates established by the Board of Fund Commissioners; and,

WHEREAS, the Fund Treasurer has issued a certificate of available funds indicating sufficient funds exist for the award of these contracts in the usual and customary accounts.

WHEREAS, the Municipal Excess Liability Joint Insurance Fund resolve to appoint the Fund Professionals – noted below – to three year terms commencing on January 1, 2015 and ending on December 31, 2017 (unless otherwise noted) at its January 2015 Reorganization Meeting in accordance with a fair and open process pursuant to N.J.S.A. 19:44A-20.4 et. Seq.;

NOW THEREFORE, BE IT RESOLVED that the contracts for the following professionals be appointed for a three year term (*unless otherwise specified*):

- 1.) PERMA Risk Management Services is hereby appointed as **Administrator**, **Joseph Hrubash** is appointed as **Executive Director**, and Cathleen Kiernan as **Deputy Executive Director**, and all as agent for process of service as a fee of \$147,771.
- 2.) Fred Semrau, Esq of Dorsey & Semrau is hereby appointed as **General Counsel and Fund Attorney** at a fee of \$38,598.
- 3.) CB Claims LLC - Christopher Botta is designated as **Claims Supervisor** at a fee of \$55,796.
- 4.) Charles Cuccia is hereby appointed as **Fund Treasurer** at a fee of \$36,237.

- 5.) Actuarial Advantage is hereby appointed as **Fund Actuary** at a fee of \$38,217.
- 6.) Arthur J. Gallagher Risk Management Services is hereby appointed as **Deputy Administrator** at a fee of \$50,153.
- 7.) Charles J. Ferraioli of Ferraioli, Wielkottz, Cerullo & Cuva, P.A. is hereby appointed as **Auditor** at a fee of \$21,407.
- 8.) Wells Capital Management is hereby appointed as **Asset Manager** to the FUND. For accounts over \$20 Million the fee will be 15 basis points on the first \$75 Million and 10 basis points on the balances with the minimum annual fee of \$75,000.
- 9.) Qual-Lynx is hereby appointed as **Claims Data Consultant**.

NOW, THEREFORE, BE IT RESOLVED that the Board of Fund Commissioners does hereby increase service fee compensation by 2% for the period of January 1, 2015 through December 31, 2015, except where specifically requested and approved otherwise, as noted.

BE IT FURTHER RESOLVED, all Professional Service Providers and Service Organizations appointed pursuant to this Resolution shall service the Fund in accordance with the terms and conditions of the Professional Service contracts attached to this Resolution.

BE IT FURTHER RESOLVED, that in accordance with NJSA 19:44A-20.7, the decision of the Fund's Board of Fund Commissioners that the procurement process utilized, constitutes a fair and open process, shall be final.

MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND
(hereafter referred to as “THE FUND”)

**ESTABLISHING A FISCAL MANAGEMENT PLAN
FOR THE 2015 FUND YEAR**

WHEREAS, THE FUND is duly constituted as a Municipal Joint Insurance Fund, as permitted under the laws promulgated by the State of New Jersey, (N.J.S.A. 40A-36, et.seq.); and

WHEREAS, THE FUND is subject to the requirements contained within the Local Fiscal Affairs Law (N.J.S.A. 40A-5, et.seq.); and

NOW, THEREFORE BE IT RESOLVED, THE FUND’s Governing Body hereby appoints the following professionals for the 2015 Fund Year:

- I.** All funds for Administrative Expenses, Reinsurance, Dividends and Miscellaneous Expenses, shall be withdrawn from the Official named Depository (ies) by check, which shall bear the signatures of at least two (2) of the following persons, duly authorized pursuant to this Resolution;

Dave Matchett, CHAIRMAN

William Close, SECRETARY

Charles Cuccia, TREASURER

Gregory Franz, COMMISSIONER

- II.** All funds for Claims payments shall be withdrawn from the Official Depository(ies) by check, which shall bear the signatures of at least two (2) of the following persons, duly authorized pursuant to this Resolution, The Chairman and Secretary or designated Commissioner shall also be a signatory.

Ann L. Noble	Qual-Lynx
Dave S. Ruber	Qual-Lynx
Alice Lihou	Qual-Lynx
Joy DiPatri	Qual-Lynx
Janet Buggle	Qual-Lynx
Russell Huntington	JIF Claims L.L.C.
Dawn Mulligan	JIF Claims L.L.C.
Robert McGuire	Bergen Risk Managers
Jennifer Ditermer	Bergen Risk Managers
John Markel	Bergen Risk Managers
Christopher Botta, Esquire	CB Claims, LLC
Georgianne Jussel	CB Claims, LLC
Robert Fisher	Robert Fisher, Esq.
Paul Messerschmidt	D&H Alternative Risk Solutions, Inc.
Wayne Dietz	D&H Alternative Risk Solutions, Inc.
David Cucicnotta	AmeriHealth Casualty Services
Donald J. Liskay	AmeriHealth Casualty Services
Robert Gilliam	Vanguard
Martha Gilliam	Vanguard
Brian Gilliam	Vanguard

- IV.** The Cash and Investment Policy attached herewith, shall be adopted.
- V.** The rate of interest assessed by the Fund, for delinquent assessments shall be ten (10) percent per annum, from the due date for any such assessment.
- VI.** Certifying and Approval Officer for all FUND expenses shall be the FUND's Executive Director and/or the Account Manager so designated by the Executive Director.

MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND

2015 CASH MANAGEMENT AND INVESTMENT POLICY

1.) Cash Management and Investment Objectives

The Municipal Excess Liability Residual Claims Fund (hereinafter referred to as the FUND) objectives in this area are:

- a.) Preservation of capital.
- b.) Adequate safekeeping of assets.
- c.) Maintenance of liquidity to meet operating needs, claims settlements and dividends.
- d.) Diversification of the FUND's portfolio to minimize risks associated with individual investments.
- e.) Maximization of total return, consistent with risk levels specified herein.
- f.) Investment of assets in accordance with State and Federal Laws and Regulations.
- g.) Accurate and timely reporting of interest earnings, gains and losses by line of coverage in each Fund year.
- h.) Where legally permissible, cooperation with other local municipal joint insurance funds, and the New Jersey Division of Investment in the planning and execution of investments in order to achieve economies of scale.
- i.) Stability in the value of the FUND's economic surplus.

2.) Permissible Investments

Investments shall be limited to the following:

- a) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.
- b) Government money market mutual funds.
- c) Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- d) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; or
- e) Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury for investment by local units.
- f) Debt obligations of federal agencies or government corporations with maturities not greater than ten (10) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through the New Jersey Division of Investment and are consistent the Division's own

investment guidelines, and providing that the investment a fixed rate of interest not dependent on any index or external factors.

g) Local Government Investment Pools

h) Repurchase agreements of fully collateralized securities, subject to rules and conditions establish by the N.J. Department of Community Affairs.

No investment or deposit shall have a maturity longer than one (10) years from date of purchase.

3.) **Authorized Depositories**

In addition to the above, the FUND is authorized to deposit funds in certificates of deposit and other time deposits in banks covered by the Governmental Unit Depository Protection Act, NJSA 17:9-14 et seq. (GUDPA). Specifically authorized depositories are as follows:

Wells Fargo Bank

The FUND is also authorized to invest its assets in the New Jersey Cash Management Fund.

4.) **Authority for Investment Management**

The Treasurer is authorized and directed to make investments, with a maturity of three months or longer, through asset managers that may be selected by the Executive Board. Such asset managers shall be discretionary trustees of the FUND.

Their actions and decisions shall be consistent with this plan and all appropriate regulatory constraints.

In executing investments, asset managers shall minimize transaction costs by querying prices from at least three (3) dealers and purchasing securities on a competitive basis. When possible, federal securities shall be purchased directly from the US Treasury. Transactions shall not be processed through brokerages which are organizationally affiliated with the asset manager. Transactions may also be processed through the New Jersey Division of Investment by the Fund's asset managers.

5.) **Preservation of Capital**

Securities shall be purchased with the ability to hold until maturity.

6.) **Safekeeping**

Securities purchased on behalf of the FUND shall be delivered electronically or physically to the FUND's custodial bank, which shall maintain custodial and/or safekeeping accounts for such securities on behalf of the FUND.

7.) **Selection of Asset Managers, Custodial Banks and Operating Banks**

Asset managers, custodial banks and operating banks shall be retained for contract periods of one (1) year. Additionally, the FUND shall maintain the ability to change asset managers

and/or custodial banks more frequently based upon performance appraisals and upon reasonable notice, and based upon changes in policy or procedures.

8.) **Reporting**

Asset managers will submit written statements describing the proposed investment strategy for achieving the objectives identified herein. Asset managers shall also submit revisions to strategy when justified as a result of changing market conditions or other factors. Such statements shall be provided to the Treasurer and Executive Director. The statements shall also include confirmation that all investments are made in accordance with this plan. Additionally, the Investment Manager shall include a statement that verifies the Investment Manager has reconciled and determined the appropriate fair value of the Funds portfolio based on valuation guidelines that shall be kept on file in the Executive Director's office.

The Treasurer shall report to the Executive Committee at all regular meetings on all investments. This report shall include information on the balances in all bank and investment accounts, and purchases, sales, and redemptions occurring in the prior month.

9.) **Audit**

This plan, and all matters pertaining to the implementation of it, shall be subject to the FUND's annual audit.

10.) **Cash Flow Projections**

Asset maturity decisions shall be guided by cash flow factors payout factors supplied by the Fund Actuary and reviewed by the Executive Director and the Treasurer.

11.) **Cash Management**

All moneys turned over to the Treasurer shall be deposited within forty-eight (48) hours in accordance with NJSA 40A:5-15.

In the event a check is made payable to the Treasurer rather than the Fund, the following procedure is to be followed:

- a.) The Treasurer endorses the check to the Fund and deposits it into the Fund account.
- b.) The Treasurer notifies the payer and requests that in the future any check be made payable to the Fund.

Cash may be withdrawn from investment pools under the discretion of asset managers only to fund operations, claims imprest accounts, or approved dividend payments.

The Treasurer shall escheat to the State of New Jersey checks which remain outstanding for twelve or more months after the date of issuance. However, prior to implementing such procedures, the Treasurer, with the assistance of the claims agent, as needed, shall confirm that the outstanding check continues to represent a valid claim against the FUND.

RESOLUTION NO: 3-15

**MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND
(hereafter the "FUND")**

ESTABLISHING PUBLIC MEETING PROCEDURES

WHEREAS, the FUND must establish meeting procedures for Fund Year 2015, and

NOW, THEREFORE BE IT RESOLVED, by the Governing Body of the FUND that:

- I.** That the FUND shall hold public meetings during the year 2015 at 10:30 AM in the Forsgate Country Club, Jamesburg NJ on Wednesday, March 4, 2015, Wednesday June 3, 2015, September 2, 2015, October 21, 2015 and January 6, 2016 at 10:30 am at the Forsgate Country Club, Jamesburg NJ.
- II.** The RCF Claims Committee will meet on the same day as the Executive Committee at the above listed locations at 9:00AM before the Fund meeting. The RCF Claims Committee will not be meeting in November.
- III.** The following is hereby designated the official newspaper (s) of the Fund:
The Star Ledger, Newark, New Jersey 07102. In addition, the MEL's webpage is designated for official notices – www.njmel.org.
- IV.** The FUND Secretary or designated assistant shall provide notice of any and all meetings, including special or emergency meetings, to each official newspaper and shall issue all official notices required to be published in at least one of the official newspapers.

RESOLUTION NO. 4-15

MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND (Hereinafter the "FUND")

ESTABLISHING A FUND RECORDS PROGRAM

WHEREAS: The FUND must establish a formal record retention program for the 2015 fund year.

NOW, THEREFORE BE IT RESOLVED, by the FUND's Governing Body that:

- I.** William Close, **Fund Secretary**, is hereby designated as custodian of the FUND records, which shall be kept at the office of the Fund Administrator, located at 9 Campus Drive Suite 16 – Parsippany, NJ 07054.
- II.** The Account Manager designated by the Executive Director is hereby appointed as **Assistant Fund Secretary**.
- III.** The records of the FUND shall be retained in accordance with the municipal records retention schedule as promulgated by the New Jersey Division of Archives and Records Management, and/or otherwise specified by the New Jersey Department of Insurance and Community Affairs.
- IV.** Each fund professional and service organization shall have the duty and obligation to maintain such records as are entrusted to him/her and to relinquish such records to the Fund Secretary upon termination of services or otherwise upon request.

Records and files not required to support current operations, but which must otherwise be retained, shall be stored in the record retention facility, located at Allstate Archives, 24 Beckwith, Avenue, Paterson, New Jersey. The FUND's Executive Director shall coordinate the archive process and shall insure that all records are properly indexed and accessible.

RESOLUTION NO. 5-15

MUNICIPAL EXCESS LIABILITY RESIDUAL CLAIMS FUND

(hereinafter the "Fund")

ESTABLISHING THE 2015 PLAN OF RISK MANAGEMENT

Plan of Risk Management

A.) Perils of Liability to be Insured Against:

The Claims Fund provides residual coverage for any claim which otherwise would be payable by a member joint insurance fund for the following coverages and member fund years.

Member Fund Coverages:

- ☐ General Liability (including Police Professional Liability)
- ☐ Employee Benefits Liability
- ☐ Public Officials Liability
- ☐ Automobile Liability
- ☐ Workers' Compensation
- ☐ Property

Member Fund Years:

MEL -	1987 through 2010
B-MEL	1987 through 1990
Atlantic -	1987 through 2010
Bergen -	1985 through 2010
Burlco -	1991 through 2010
Camden -	1987 through 2010
Monmouth -	1988 through 2010
Morris -	1987 through 2010
NJUA -	1991 through 2010
Ocean -	1987 through 2010
PMM -	1987 through 2010
South Bergen -	1986 through 2010
Suburban Essex -	1992 through 2010
Trico -	1991 through 2010
Suburban Municipal	1994 through 2010
NJPHA JIF	1994 through 2010
Central Jersey JIF (Edison & Woodbridge)	Run-in claims incurred through 7/1/98
Brick Township	Run-in claims incurred through 1/1/99
Hillsborough Township	Run-in claims incurred through 12/1/00

The terms and conditions of these coverages insured by the Claims Fund shall be the terms and conditions of these coverages provided by the member joint insurance funds to their member local units in accordance with the coverage documents and plans of risk management of the member joint insurance funds.

B.) **Limits of Coverage:**

1.) The Claims Fund's limits shall be equal to the per occurrence self-insured retention of the member joint insurance funds. The amount of any claim in excess of the member joint insurance fund's self-insured retention shall be the responsibility of the applicable excess insurer or reinsurer, the member joint insurance fund, or the member local unit as the case may be in accordance with the member joint insurance fund's coverage documents and plan of risk management.

2.) The Claims Fund shall self-insure this limit except for run-in claims assumed from the Central Jersey JIF and Ocean JIF.

C.) **Fund Retention:**

The Claims Fund shall retain the entire risk except for run-in.

D.) **Reserves 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 Fund would expect the claims servicing company to set reserves at 85% accuracy. The Claims Fund also establishes reserves recommended by the Fund's actuary for claims that have been incurred but not yet reported so that the Claims Fund has adequate reserves to pay all claims and allocated loss adjusted expense liability.

Claim reserves are subject to regular review by the Fund's Executive Director/Administrator, Attorney, Executive Committee 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 member Funds. The Fund's actuary will conduct a complete actuarial reevaluation before establishing the budget, and assessments for the transfer of any member fund year to the Claims Fund.

The Fund may also establish an aggregate excess loss contingency fund consistent with NJAS 11:15-2.23 (f) 2.

E.) **Assessment Methodology:**

1.) In November of each year, the Claims Fund shall prepare the budget for the upcoming fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations, the anticipated amounts and sources of assessments and other income to be received during the fiscal year, and the status of the self insurance or loss retention accounts.

2.) Non-claim expenses shall be allocated among fund years.

3.) In the event the budget for the upcoming fiscal year includes provision for the transfer residual risk by member joint insurance funds for member fund years not yet transferred:

a.) participation by a member joint insurance fund in such transfer shall be optional; and

b.) the budget for such transfer shall include provision to pay non-claim expenses associated with the transfer.

4.) The budget shall be reviewed by an actuary who shall comment on its adequacy and shall recommend changes, as appropriate, by November 15th.

5.) Not later than December 31st of each year, the Fund Commissioners/Executive Committee shall adopt, by majority vote, the budget for the Fund's operation for the coming fiscal year.

6.) A copy of the Fund's proposed budget, as changed to reflect the actuary report, shall be sent to each participating joint insurance fund at least two (2) weeks prior to the time scheduled for its adoption. No budget or amendment shall be adopted until a hearing has been held giving all participating member joint insurance funds the opportunity to present comments or objections.

7.) Any time during the year, the Fund may investigate the feasibility of assuming the residual risk of additional member fund years. Participation in such transfers shall be optional on the part of each member joint insurance fund, and shall require the Fund to amend its budget and secure an amended indemnity and trust agreement from each member joint insurance fund which wishes to transfer the residual risk for additional member fund years.

8.) An adopted budget may be amended by majority vote of Fund Commissioners/Executive Committee after giving the participating joint insurance funds two (2) weeks advance written notice, and conducting a hearing on the proposed amendment.

9.) A copy of the adopted budget and any amendment shall be filed within thirty (30) days of its adoption with the governing body of each participating joint insurance fund, the Commissioner of Insurance, and the Commissioner of the Department of Community Affairs.

10.) That portion of the non-claim budget which relates to residual risk already transferred to the Fund shall be charged to the member funds based on their share of each such fund year.

11.) That portion of the budget related to the transferring residual risk not yet transferred shall be charged to the members pro rata, based on the actuarial evaluation of the ultimate cost, including IBNR of the claims to be transferred.

12.) Any other budget item shall be charged to the members, based on the value of the service provided.

13.) The total amount of each member's annual assessment shall be certified by majority vote of the Fund Commissioners/Executive Committee to the governing body of each participating member at least one (1) month prior to the beginning of the next fiscal year.

14.) The annual assessment shall be paid to the Fund in installments, to be determined by the Fund Commissioners/Executive Committee which shall conform with N.J.A.C. 11:15-2.15(a).

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

16.) The Treasurer shall deposit each member's assessment into the appropriate accounts, including the administrative account and the claim or loss retention trust fund account by fund year in which the member participates.

17.) The Fund Commissioners/Executive Committee shall, by majority vote, levy upon the participating joint insurance funds additional assessments wherever needed, or so ordered by the Commissioner of Insurance to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

All supplemental assessments shall be charged to the participating joint insurance fund by applicable fund year, and shall be apportioned by that year's premium.

b.) All joint insurance funds shall be given ninety (90) days advance written notice of the Fund's intention to charge an additional assessment, and the Fund shall conduct a hearing before adopting the supplemental assessment.

c.) Member joint insurance funds shall have thirty (30) days to pay the Fund from the date any supplemental assessment is adopted.

18.) The Fund shall submit to the Commissioner of Insurance and the Commissioner of Community Affairs a report of the causes of the Fund's insufficiency, the assessments necessary to replenish it, and the steps taken to prevent a reoccurrence of such circumstances.

F.) **Procedures Governing Loss Adjustment and Legal Fees:**

1.) Each member joint insurance shall maintain in full force and effect a contract with a qualified adjusting service company to adjust the member's residual claims. The claims adjuster service so engaged shall be designated as a claims adjusting service company of the Fund.

2.) All claims shall be reported to the claims adjusting service in accordance with the procedures established by the member joint insurance fund.

3.) Each member joint insurance fund shall engage a qualified Fund attorney to coordinate the legal defense of the member's residual claims. The individual or firm so engaged shall be designated as a deputy fund attorney of the Fund.

4.) With the advice of deputy Fund attorneys, each member joint insurance fund shall recommend, by resolution, a defense panel for that member joint insurance fund's residual claims. The defense panels shall be reviewed by the Fund attorney, who shall make a recommendation to the Claims Fund's Executive Committee to establish the Fund's approved defense panel.

G.) **Coverage to be Purchased from a Commercial Insurer, if any:**

None.

H.) **Reinsurance to be Purchased, if any, and the Amount of Premium therefore:**

None.

I.) **Procedures for the Closure of Fund Years:**

1.) Since it is the purpose of the Residual Fund to serve as the mechanism to permit member Funds to close Fund years, the Residual Claims Fund will only close Fund years upon a determination that the residual risk has been extinguished to a higher level of certitude. Specifically, the Residual Claims Fund will only close a Fund year if:

a.) a portfolio transfer of residual risk has been effected; or

b.) upon the later of the closure of all outstanding claims or 21 years since the end of the latest member Fund year included in the Residual Fund year.

2.) A Fund year may only be closed by resolution adopted after a public hearing.

a.) All member Fund must be given at least one (1) month notice prior to the public hearing.

b.) The resolution shall provide for the maintenance of all records in accordance with the requirements of the Commissioner of Insurance, Commissioner of the Department of Community Affairs, and all other regulations and statutes then in effect.

c.) The resolution shall provide for written notice to the Department of Insurance and the Department of Community Affairs at least two (2) months before the resolution becomes effective.

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

1.) The general approach in estimating the loss reserves of the Fund is to project ultimate losses for each member Fund 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 Fund Actuary chooses a "select" estimate of ultimate losses. Subtraction of the paid losses from the select ultimate losses yields that loss reserve liability or funding requirement.

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

a.) 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.

b.) 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.

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

\$10,000.

Any claim in excess of \$10,000 must be reviewed by the Deputy Executive Director/Administrator and approved by the Board of Fund Commissioners, Executive Committee of the member joint insurance fund or designated township of official for the townships of Edison, Piscataway, Brick and Hillsborough. In advance of each meeting of the Claims Fund, the Deputy Executive Director/Administrator shall prepare a report of the claims approved by the member joint insurance fund.

In addition to the approval required under the above, any claim other than Public Officials and Employment Practices Liability in excess of \$50,000 must also be reviewed by the Claim Fund's Executive Director/Administrator, and approved by the Board of Fund Commissioners or Executive Committee of the Residual Claims Fund or any claim in excess of \$100,000 for the townships of Edison, Piscataway, Brick and Hillsborough. The Board of Fund Commissioners has established a claims subcommittee comprised of at least three of its members to exercise this power. This subcommittee may meet telephonically when required.

Public Officials and Employment Practices Liability: Any claim in excess of \$5,000 must be approved by the Fund Attorney and Executive Director. All such approvals shall be reported to the claims sub-committee at their next meeting.

With the advance approval of the Fund Attorney or the Executive Director, the certifying and approving officer may also pay hospital bills if waiting until after the next regularly scheduled FUND 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.