

# New Jersey Schools Insurance Group



*PLAN OF RISK MANAGEMENT*

*2019-2020*

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# **NEW JERSEY SCHOOLS INSURANCE GROUP**

## **PLAN OF RISK MANAGEMENT**

The mission of New Jersey Schools Insurance Group (“NJSIG”), a public school insurance pool, is to ensure the availability of insurance to New Jersey public schools by offering the best coverage at the lowest possible cost while providing risk management education, training and services.

### **I. INTRODUCTION**

NJSIG is a joint insurance fund formed under the provisions of N.J.S.A. 18A:18B-1 et. seq. NJSIG’s membership is comprised of public schools. NJSIG commenced operations in October 1983.

NJSIG’s objectives include the following:

- A.** Providing eligible public schools with a long-term alternative to the conventional insurance market as a means of stabilizing the otherwise cyclical nature of insurance expenditures;
- B.** Maintaining proactive safety and loss prevention programs specific to issues inherent in public schools;
- C.** Aggressively evaluating, defending and/or settling claims made against members which fall within the defined coverages afforded through NJSIG;
- D.** Maintaining a responsible funding posture in an effort to ensure long-term financial security for NJSIG and, by extension, the membership.

### **II. COVERAGE PROVIDED, LIMITS OF LIABILITY, SELF-INSURED RETENTIONS AND DEDUCTIBLES**

#### **A. GENERAL**

NJSIG offers coverage to its members through one or more of the following vehicles:

- Pooled self-insurance
- Excess insurance
- Reinsurance
- Individual contracts

NJSIG offers its members the following coverages:

1. Workers' Compensation and Employers' Liability
2. Automobile Liability
3. General Liability
4. Property
5. Equipment Breakdown
6. Automobile Physical Damage
7. School Leaders Errors and Omissions Liability
8. Crime and Bonds
9. Electronic Data Processing
10. Excess Liability
11. Supplemental Indemnity
12. Breach Response
13. Environmental Liability

The specific limits of coverages afforded by NJSIG incorporate individual member deductibles, funded self-insured retentions and various jointly purchased conventional and excess/reinsurance policies. Unless specifically stated to the contrary, limits shown in the following sections shall be considered to be inclusive of applicable pooled self-insured retention.

NJSIG also provides for aggregate excess insurance where applicable.

## **B. PROPERTY**

- |    |                                    |                              |
|----|------------------------------------|------------------------------|
| 1. | Limit of liability                 | \$500,000,000 per occurrence |
| 2. | NJSIG self-insured retention (SIR) | \$1,000,000 per occurrence   |
| 3. | Member deductible                  | \$1,000 to \$50,000          |
| 4. | Perils included                    | see policies "Appendix A"    |

**C. EQUIPMENT BREAKDOWN**

- |    |                              |                                   |
|----|------------------------------|-----------------------------------|
| 1. | Limit of liability           | \$100,000,000 per loss            |
| 2. | NJSIG self-insured retention | \$0                               |
| 3. | Member deductible            | 12 hours/\$1,000 - \$25,000       |
| 4. | Policy conditions            | refer to specific policy language |

**D. COMPREHENSIVE GENERAL AND AUTOMOBILE LIABILITY**

- |    |                                     |  |
|----|-------------------------------------|--|
| 1. | Limit of liability                  | between \$1,000,000 and \$31,000,000 per occurrence  |
| 2. | NJSIG self-insured retention (SIR): | \$500,000 per occurrence   |
| 3. | Member deductible                   | liability options \$0-\$50,000 except \$1,000 employee benefits  |
| 4. | Insuring agreement                  | provides coverage for bodily injury, property damage and personal injury liability arising out of the business activities of the member. See specific policy language. |

**E. WORKERS' COMPENSATION**

- |    |                                       |                            |
|----|---------------------------------------|----------------------------|
| 1. | Limits of liability:                  |                            |
|    | (a) Workers' Compensation             | statutory                  |
|    | (b) Employers Liability               | \$2,000,000 per occurrence |
| 2. | NJSIG specific self-insured retention |                            |
|    | (a) Workers' Compensation             | \$1,000,000                |
|    | (b) Employers Liability               | \$1,000,000                |
| 3. | Member deductible                     | none                       |

**F. SCHOOL LEADERS ERRORS & OMISSIONS LIABILITY**

- |    |            |   |
|----|------------|---|
| 1. | Coverage A | Limits of liability between \$1,000,000 and \$31,000,000 per occurrence/aggregate, per member. Limit chosen by district may be subject to retroactive dates. Refer to specific policy language. |
|----|------------|---|

- |    |                              |  |
|----|------------------------------|--|
| 2. | Coverage B                   | \$100,000/\$300,000 or<br>\$50,000/\$150,000     |
| 3. | Member deductible            | between \$5,000 to \$250,000 Coverage<br>A and B |
| 4. | Insuring agreements          | refer to specific policy language.               |
| 5. | NJSIG self-insured retention | \$0  |

**G. REINSURANCE**

1. NJSIG may purchase reinsurance or excess insurance, which is subject to the terms and conditions of the specific excess or reinsurance carrier agreements. NJSIG purchased reinsurance for the following:
  - (a) Property: NJSIG cedes 100% net loss per occurrence in excess of \$1,000,000 to a maximum of \$500,000,000.
  - (b) Comprehensive General Liability and Automobile Liability: NJSIG cedes 100% net loss per occurrence in excess of \$500,000.
  - (c) Workers' Compensation and Employers Liability: NJSIG places excess statutory limits of liability and employers' liability in excess of \$1,000,000 per occurrence.
2. The cost of reinsurance is variable depending on member exposure. The final number will be determined by audit at year-end. Based upon known exposures the total reinsurance cost is estimated to be \$36,000,000.

**III. OPERATIONAL PHILOSOPHY**

**A. SUB-FUNDS**

NJSIG organized the state into seven (7) predominately geographical groups known as sub-funds. There is also an eighth group consisting of non-geographical members.

Continued membership in the sub-fund is predicated on members meeting the minimum standards of participation and maintaining the required loss profile as defined by the Standards of Participation outlined herein.

These sub-funds have no decision making authority relative to the operation of NJSIG. Sub-fund governing documents do not supersede any governing documents of NJSIG.

Each sub-fund is individually analyzed and priced by NJSIG's actuary for workers' compensation based on that particular sub-fund's loss experience, size and premium volume.

Each of the seven geographical sub-funds has a sub-fund administrator. The sub-fund administrator is an insurance broker with demonstrated school board risk management expertise and a contract with NJSIG.

Members may be removed from a sub-fund if they do not meet the Standards of Participation outlined herein.

## **B. CONTRIBUTION**

1. Each year, the actuary shall compute the probable net cost for the upcoming year by line of coverage.
2. The annual contribution of each member shall be its share of the probable net cost for the upcoming year based upon exposures, loss portfolio and experience modifiers.
3. A member's right to continue membership in a particular sub-fund for the full term of its commitment is contingent upon meeting the Standards of Participation outlined herein.
4. The calculation of contribution for each member shall be based on the overall annual budget. Contribution may be modified to reflect the loss history or underwriting data of the individual member.
5. NJSIG's Board of Trustees votes and approves the budget at least one (1) month prior to the beginning of the next fiscal year.
6. The annual contribution shall be paid in one (1) installment, except Workers' Compensation, where members may request up to a maximum of twelve (12) monthly installments.

## **C. BROKERS**

Members are required to retain the services of a broker. Service expectations of brokers include, but are not limited to the following:

1. The broker retained must be licensed by the State of New Jersey.
2. The broker shall be paid commission by NJSIG as defined in the standard Broker Commission policy, NJSIG Policy 8010.
3. The broker's specific responsibilities shall include but not be limited to:



- (a) Continuous evaluation of the member's exposures, losses, policies and risk portfolio.
  - (b) Expert knowledge and guidance with respect to coverages, limits and deductibles applicable to the member's individual exposures.
  - (c) Preparation and completion of reports, applications, statements of values, schedules and other required underwriting documentation to obtain coverage terms.
  - (d) Review of member's insurance costs in preparation of the member's insurance budget.
  - (e) Review of the member's loss experience, engineering reports and participation in the member's safety committee meetings.
  - (f) Advise NJSIG's Safety and Risk Control department of specific and necessary trainings required by a member based on review of losses and exposures as well as frequency and trending concerns.
  - (g) Assist and guide in the claims process, as necessary.
  - (h) Attend their member's respective sub-fund meetings including annual trainings.
  - (i) Attend NJSIG's annual broker's meeting.
4. The broker shall be a New Jersey licensed Property/Casualty Insurance Producer who has demonstrated and provided proof of prior experience in the management of public entity insurance risks. The broker shall maintain at least a \$5,000,000 per claim errors & omissions insurance limit and provide evidence of coverage to NJSIG prior to binding. Brokers earning less than \$30,000 of annual NJSIG commission may request an annual exemption for the \$5,000,000 errors and omissions insurance minimum requirement. Such requests must be submitted to the Underwriting Manager in writing 60 days prior to renewal.

## **D. CLAIMS RESPONSE AND RESERVING**

### **1. CLAIM DEPARTMENT STATEMENT**

#### **(a) Customer Service**

NJSIG is committed to partnering with members to provide extraordinary claim service.

(b) Quality Services

Departmental procedures have been developed to meet the present and future needs of members.

**IV. STANDARDS OF PERFORMANCE**

**A. GENERAL LIABILITY/AUTOMOBILE LIABILITY**

1. Coverages

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage, any remaining questions or issues will be documented and communicated with a reservation of rights letter.

2. Initial Technical Processing

New losses are assigned promptly, reserved and entered into the claim system within one business day of receipt. Appropriate matters are centrally indexed to cross reference prior claims. An acknowledgement letter is sent to the member when the file is set up, with a copy to the broker.

3. Member/Claimant Contact

- (a) All members must be contacted within two business days of assignment.
- (b) All claimants will be contacted within two business days of assignment. If verbal contact is not made, written correspondence will follow.

4. Investigation

- (a) Investigation of claims will be guided by the adjuster assigned.

5. Reporting and Communication

- (a) The claim file will be documented detailing all significant developments. Correspondence will be addressed and answered timely, as necessary.
- (b) Reserves outside of the adjuster's authority will be reviewed and approved by a Claims Supervisor and/or Claims Manager.
- (c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under any reinsurance or excess reporting guidelines, shall be reported to the reinsurer/excess carrier immediately.

- (d) All files are reviewed on a periodic and as needed basis by the claims adjuster and Claims Supervisor.

6. Recovery/Subrogation/Contribution

- (a) Claims with subrogation recovery and/or contribution potential shall be recognized, investigated and documented.
- (b) If recovery, subrogation and/or contribution is to be waived or compromised, it must be approved by the Claims Manager or Claims Supervisor.

7. General

- (a) NJSIG's Safety and Risk Control department will be notified as to conditions which may require corrective measures. NJSIG's Safety and Risk Control department will contact the broker of record and member and ensure the condition is given appropriate attention.
- (b) For all physical damage automobile losses, the vehicle must be inspected by an independent auto appraiser within five business days of assignment and concluded within ten business days. If damages are less than \$2,000, two estimates may be reviewed by the claims adjuster in lieu of a physical inspection.
- (c) Centers for Medicare and Medicaid Services (CMS) reporting shall be complied with in all cases involving bodily injury.

**B. WORKERS' COMPENSATION**

1. Coverages

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage, any remaining questions or issues will be documented and communicated.

2. Initial Technical Processing

New losses are assigned promptly, reserved and entered into the claims system within one business day of receipt. Appropriate matters are centrally indexed to cross reference prior claims. An acknowledgement letter is sent to the member when the file is set up, with a copy to the broker.

3. Member/Claimant Contact

All members and claimants must be contacted within two business days of assignment for lost time cases.

4. Investigation

(a) The claimant should be interviewed or a statement obtained for all claims involving questionable and/or serious exposure when appropriate.

(b) A detailed investigation shall be conducted for all claims commensurate with the potential exposure.

5. Reporting and Communication

(a) The claim file will be documented detailing all significant developments. Correspondence will be addressed and answered timely, as necessary.

(b) Reserves outside of the adjuster's authority will be reviewed and approved by a Claims Supervisor and/or Claims Manager.

(c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under any reinsurance or excess reporting guidelines shall be reported to the reinsurer/excess carrier immediately.

(d) All files are reviewed on a periodic and as needed basis by the claims adjuster and Claims Supervisor.

6. Recovery/Subrogation/Contribution

(a) Claims with subrogation recovery and/or contribution potential shall be recognized, investigated and documented.

(b) If recovery, subrogation and/or contribution is to be waived or compromised, it must be approved by the Claims Manager or Claims Supervisor.

7. General

- (a) NJSIG's Safety and Risk Control department will be notified as to conditions which may require corrective measures. NJSIG's Safety and Risk Control department will contact the member and ensure the condition is given appropriate attention.
- (b) Compensability analysis shall be in accordance with New Jersey law.
- (c) Initial indemnity payment on all lost time cases shall occur within twenty-one (21) business days of receipt of loss.
- (d) Medical bills should be processed/paid within ten (10) business days of receipt.
- (e) Lost wages and permanency claims are to be properly calculated based on current New Jersey law and disability chart. The disability chart is updated by the State of New Jersey annually.
- (f) Physician contact and treatment control is completed based on the treatment plan established by the claims adjuster along with the managed care provider.
- (g) Centers for Medicare and Medicaid Services (CMS) reporting shall be complied with in all cases involving bodily injury. The First Report of Injury (FROI) and the Subsequent Report of Injury (SROI) are complied with in accordance with New Jersey law.

## C. PROPERTY

### 1. Coverage

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage any questions or issues will be documented and communicated.

### 2. Initial Technical Processing

New claims are assigned promptly, reserved and entered into the claims system within one business day of receipt. Appropriate matters are centrally indexed to cross-reference prior claims. An acknowledgement letter is sent to the Member when the file is set up, with a copy to the broker.

### 3. Member Contact

All members must be contacted within two (2) business days of assignment.

If verbal contact is not made, written correspondence will be sent.

4. Investigation

A NJSIG claims adjuster, along with a designated property appraiser, if necessary, will be assigned to verify damages, cause of loss and provide an appraisal/estimate for needed repair or replacement. If a physical inspection is necessary, it will be completed within three (3) business days of assignment. If no inspection is warranted, receipts, purchase orders, or other substantiated documentation will be obtained to verify and pay the loss. All claims with significant subrogation potential will be assigned to subrogation counsel, as necessary.

5. Reporting and Communication

(a) The claim file will be documented detailing all significant developments. Correspondence will be addressed and answered timely, as necessary.

(b) Reserves outside of the adjuster's authority will be reviewed and approved by a Claims Supervisor and/or Claims Manager.

(c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under reinsurance or excess reporting guidelines shall be reported to the reinsurer/excess carrier immediately.

(d) All claims are reviewed on periodic and as needed bases by the claims adjuster and Claims Supervisor.

6. Recovery/Subrogation

(a) Claims with subrogation recovery and/or contribution potential shall be identified, investigated and documented.

(b) If subrogation, recovery and/or contribution is to be waived or compromised, it must be approved by the Claims Manager or Claims Supervisor.

7. General

(a) NJSIG's Safety and Risk Control department will be notified of conditions which may require corrective measures. NJSIG's Safety and Risk Control department will contact the broker of record and member and ensure the condition is given appropriate attention.

- (b) A proof of loss will be required on all property claims. The proof of loss must be signed and notarized by the school business administrator.

#### **D. PRODUCTIVITY/PENDING STANDARDS**

1. The number of claims per adjuster shall be determined by the adjuster's Claims Supervisor.
2. The goal is for all claims adjusters to close one file for every file that is opened.

#### **E. LEGAL CLAIM HANDLING**

1. Counsel Billing

Counsel bills must be submitted for each matter, adhering to NJSIG's litigation guidelines. Itemized bills should contain a description of each charged activity, date of service and time allocated for each activity. The bills must indicate total time spent and total charges. The claims adjuster is expected to audit each bill and communicate with counsel on questionable charges.

2. Legal Handling

Counsel should perform only legal work. Investigative activities should be conducted by the claims adjuster. The claims adjuster and counsel should work together to determine who is appropriate to handle negotiations, if appropriate. All negotiations shall be documented in the file and confirmation of that authority shall be provided to counsel.

#### **F. CLAIM PAYMENT PROCEDURES**

1. Once a medical, legal, or service bill is verified, the claims adjuster shall highlight the amount to be paid. The claims adjuster shall initial the bill, date it, indicate the payment and coverage type, and forward it to the bill processor for payment. The bill processor must verify the payment. Bills are to be paid within ten (10) calendar days of receipt, unless further clarification is necessary.

#### **G. INCOMING/OUTGOING CORRESPONDENCE**

1. All incoming mail is date stamped on the same day it is received and tasked to the respective claim adjuster. Prior to close of business, the claims adjuster will process the task and determine if it is a priority or scheduled activity for a later date.
2. Any correspondence without an addressee or claim number will be brought to the attention of a Claims Supervisor for further action.

#### **H. OUTSIDE INDEPENDENT ADJUSTERS ASSIGNMENTS**

1. The claims adjuster maintains control of any investigation. Should the services of an independent appraiser or adjuster become necessary, their activities and direction are guided by the NJSIG claims adjuster.

#### **I. REPORTING GUIDELINES WORKERS' COMPENSATION**

A summary report will be completed within ten (10) business days by the claims adjuster. The contents of that report shall include:

1. Occurrence/accident description
2. Compensability acceptance/denial – if denied explanation
3. Injury
4. Subrogation
5. Action plan
6. Reserve

The above information shall be added to the claims file. This information should be brief with an explanation in each category.

#### **J. REPORTING GUIDELINES - GENERAL LIABILITY/AUTOMOBILE LIABILITY**

A summary report will be completed within fifteen (15) business days by the claims adjuster. The contents of that report shall include:

1. Description of loss/occurrence
2. Liability
3. Damages
4. Action plan
5. Reserve

The above information shall be added to the claims file. This information should be brief with an explanation in each category.



## **K. REPORTING GUIDELINES - PROPERTY**

A summary report will be completed within fifteen (15) business days by the claims adjuster. The contents of that report shall include:

1. Description of loss/occurrence
2. Coverages
3. Scope of damages
4. Action plan
5. Reserve

The above information shall be added to the claims file. This information should be brief with an explanation in each category.

## **L. REHABILITATION GUIDELINES - ADMINISTRATIVE CONTROLS**

1. The following criteria shall be used when a claim is to be referred for medical rehabilitation.

- (a) The following injuries are to be immediately referred for medical rehabilitation:

- Spinal cord injuries
- Serious head injuries
- Amputations
- Severe burn
- Crush injuries
- Heart Problems
- Stress-related disorders
- Serious eye injuries
- Complex regional pain syndrome (RSD)

- (b) Other possible referrals for medical rehabilitation, post initial injury, could include:

- Herniated disc
- Multiple fractures
- Exacerbation of pre-existing condition
- Exacerbation of congenital condition
- Extensive over-treatment for a soft tissue injury

## **V. GENERAL COMMENTS**

### **A. DISCRETIONARY SETTLEMENT AND TRIAL AUTHORITY**

#### **Workers' Compensation Claims**

NJSIG will pay workers' compensation medical and wage loss benefits when such payments are appropriate.

On contested workers' compensation claims, the following authority levels will apply:

**Settlement Authority**

Up to \$60,000	Claims Representative and Senior Claims Representative
Up to \$75,000	Claims Examiner
Up to \$100,000	Claims Supervisor
Up to \$200,000	Claims Manager
Up to \$300,000	Claims Manager and Chief Legal Officer
\$300,001 and above	Board of Trustees

The Claims Manager shall have discretion to adjust any individual's authority under \$200,000. A Claims Supervisor shall have the discretion to adjust any individual's authority under \$75,000.

**Personal Injury Protection, Medical, Wage Loss, Third-Party Property Damage, and Personal Injury Claims**

NJSIG will pay personal injury protection, medical, wage loss, third-party property damage, personal injury and/or other benefits when such payments are appropriate.

On these lines the following authority levels will apply:

**Settlement Authority**

Up to \$60,000	Claims Representative and Senior Claims Representative
Up to \$75,000	Claims Examiner
Up to \$100,000	Claims Supervisor
Up to \$200,000	Claims Manager
Up to \$300,000	Claims Manager and Chief Legal Officer
\$300,001 and above	Board of Trustees

The Claims Manager shall have discretion to adjust any individual's authority under

\$200,000. A Claims Supervisor shall have the discretion to adjust any individual's authority under \$75,000.

### **First-Party Property Damage Claims**

NJSIG will pay first-party claims for property damage when such payments are appropriate.

On all first-party claims for property damage, the following authority levels apply:

#### **Settlement Authority**

Up to \$60,000	Claims Representative and Senior Claims Representative
Up to \$75,000	Claims Examiner
Up to \$100,000	Claims Supervisor
Up to \$200,000	Claims Manager
Up to \$300,000	Claims Manager and Chief Legal Officer
\$300,001 and above	Board of Trustees

The Claims Manager shall have discretion to adjust any individual's authority under \$200,000. A Claims Supervisor shall have the discretion to adjust any individual's authority under \$75,000.

All matters scheduled for trial shall be presented to the board.

### **B. CLAIMS COMMITTEE**

NJSIG shall establish a Claims Committee. This committee shall be comprised of the Claims Manager, Chief Legal Officer, and up to three Board of Trustee members. The Claims Committee shall have authority to approve claims, provided that the amount is recommended by both the Claims Manager and the Chief Legal Officer. All three Trustee participants will be notified of any such meetings, however, only one Trustee is required to participate in order to extend settlement authority, in addition to the Claims Manager and the Chief Legal Officer. Agreement by a majority of attendees, along with the recommendation of the Claims Manager and Chief Legal Officer, shall be sufficient to establish claim settlement value.

### **C. FINANCIAL MANAGEMENT**

All actuarial, investment and banking functions of NJSIG are outlined in NJSIG's

policies, cash management plan, procedures and bylaws.

#### **D. SAFETY AND LOSS PREVENTION**

In an effort to identify and prevent loss, NJSIG will implement safety and risk control programs and procedures intended to reduce and eliminate conditions or practices which may lead to loss.

#### **E. STANDARDS OF PARTICIPATION**

The following are the eligibility requirements for new or continued membership as approved by the Board of Trustees:

1. Member's claims history, policies and risk management philosophy should demonstrate safety performance and initiatives consistent with NJSIG's requirements.
2. Member must provide access to all member-owned or leased property for safety inspection and evaluation by NJSIG's assigned Safety and Risk Control representative(s) to ensure member meets or continues to meet safety standards.
3. Member must establish and maintain an active Safety Committee and actively participate in NJSIG-sponsored safety programs and trainings.
4. Member must be in compliance with all Federal and New Jersey Statutes governing the operations of public schools and the accompanying regulations.
5. Member must promptly pay all contributions or other obligations arising out of or related to the member's participation in NJSIG.
6. Member must actively participate in all NJSIG-directed meetings, programs or activities to ensure the continued successful operation of NJSIG.
7. Member must provide NJSIG with a copy of a properly executed resolution of participation, substantially in the form approved by NJSIG, and a properly executed indemnity and trust agreement, substantially in the form approved by NJSIG.

NJSIG will notify the member of any concerns as to the eligibility requirements outlined above. In each case, NJSIG will work with the member to address and correct, as necessary, the concerns. Continued improvement with safety and loss control programs, as guided by a member of the NJSIG Safety and Risk Control team, will be required to remain eligible. Should a member fail to work with NJSIG in addressing any eligibility concern, NJSIG may seek termination of membership as outlined in the NJSIG Bylaws.