

**OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND
MINUTES
OCTOBER 13, 2022
2023 BUDGET INTRODUCTION -Zoom Teleconference Call
3:00 P.M.**

Meeting Called to Order by Chairperson Lapp. Open Public Meeting Statement read into the record. Pledge of Allegiance

ROLL CALL OF 2022 EXECUTIVE COMMITTEE:

Diane Lapp, Township of Manchester	Present
Charlene Carney, Vice Chair, Borough of Pine Beach	Present
Veronica Laureigh, Secretary, Twp. of Lacey	Absent
Joanne Bergin, Township of Brick	Absent
Michael Gross, Borough of Surf City	Present
Matthew von der Hayden, Township of Stafford	Present
Senator Robert Singer, Township of Lakewood, Alternate #1	Absent
Ralph Stocco, Township of Toms River, Alternate #2	Absent

APPOINTED OFFICIALS PRESENT:

Executive Director /Administrator	Perma Risk Management Services.	Stephen Sacco	Present
Attorney	Citta, Holzapfel, Zabarsky	Steven Zabarsky, Esq.	Present
Treasurer		Julie Tarrant	Present
Claims Service	Qual-Lynx	Kathy Kissane	Present
Managed Care	Qual-Lynx	Lisa Gallo	Present
Underwriting Manager	Conner Strong & Buckelew	Ed Cooney	Absent
Safety Director	JA Montgomery	Paul Shives	Present
Risk Management Consultants	Conner Strong & Buckelew	Mike Avalone	Present

ALSO PRESENT

John Bennett, Lavallette Bor.
Sean Asay, Island Heights Bor.
Brenda Kuhn, Barnegat Light Bor.
Maryanne Capasso, Lakehurst Bor.
Chris Vaz, Seaside Height Bor.
Len Grilletto, Plumsted Twp.
John Bennett, Lavallette Bor.
R Gaskill
Joseph Mirarchi, J.A. Montgomery

Mike Brosnan, J.A. Montgomery
Joseph Hrubash, Perma
David Grubb, Perma
Tracy Lopez, Perma

APPROVAL OF MINUTES: September 8, 2022

MOTION TO APPROVE OPEN MINUTES FOR ABOVE REFERENCED MEETING

MOTION: Commissioner von der Hayden
SECOND: Commissioner Gross
ROLL CALL VOTE: Unanimous

CORRESPONDENCE

Executive Director referred to correspondence outlining the MEL Helpline which provides assistance for employment related issues. This is a service that is encouraged to use and is free to members of the MEL.

TREASURER

Fund Treasurer reviewed the bill lists for the month of October 2022 as distributed.

Resolution #26-22

FUND YEAR	AMOUNT
2021	\$595.00
2022	\$351,631.10
TOTAL	\$352,226.10

Fund Treasurer reviewed the August summary of cash transactions and the summary of cash and investments advising a slight increase in investments and an ending cash and investment balance of \$33.5M.

MOTION TO APPROVE RESOLUTION # 26-22 - OCTOBER 2022 BILLS LIST AND THE TREASURERS REPORT AS PROVIDED.

MOTION: Commissioner Gross
SECOND: Commissioner von der Hayden
VOTE: Unanimous

Copy of the Treasurer's Report made a part of the Minutes.

EXECUTIVE DIRECTOR

Finance Committee

Executive Director referred to the NJ League of Municipalities article authored by Mayor Paul Tomasko of Alpine Borough and Charles Cuccia, Administrator of Little Falls prior to introducing Mr. David Grubb, MEL Executive Director. Executive Director said the Finance Committee held a

2023 Budget workshop on October 5, 2022 which items of the article were considered when reviewing the 2023 budget options.

Mr. Grubb said since the formation of joint insurance funds in the mid-1980s, frankly we are facing the most serious set of circumstances. The State is facing very high increases, the MEL is also facing high increases. Unfortunately, the items listed within the article are things that are out of the control of the MEL and are creating the perfect storm. Mr. Grubb noted New Jersey Workers' Compensation rates are now the third highest in the country. Costs have continued to escalate since the study was conducted in part, due to the New Jersey Department of Labor (NJ DOL) increasing the top weekly benefit rate earlier this year by 9.9% including the increase in awards for these cases due to court systems, which new court judges are very employee oriented. Mr. Grubb also noted the NJ DOL decision will increase workers' compensation by over 10% for local government by directing workers' compensation to pay many accidental disability claims that historically were paid by the pension plans before the change. This decision was retroactive to any case that was not finally adjudicated when the change went into effect. As a result, losses also increased for many claims that occurred prior to 2021.

Mr. Grubb added that workers' compensation costs for local government were also impacted by COVID. New Jersey was one of the states to mandate that COVID be presumed as job related for public safety employees and others encountering the public. That law cost New Jersey municipalities tens of millions coming in at #2 out of the fifty states with only Massachusetts being higher. Mr. Grubb said another recent law created a presumption that gave firefighters a rebuttable presumption that cancer was compensable under workers' compensation.

Mr. Grubb noted that the cost of general and auto liability coverage is increasing at a rate of 5% to 10% per year because of the erosion of Title 59 in New Jersey's courts. We now have a reputation for having the tenth most plaintive oriented court system in the county. Judges are now reluctant to grant summary judgement dismissing even frivolous claims because of the 2021 New Jersey Supreme Court decision in Gonzalez v. City of Jersey City.

The recent amendment in the Sexual Molestation statute of limitations will increase total liability costs by an estimated 6%. In some cases, towns are being hit with lawsuits based on allegations going back 40 years.

Mr. Grubb said building costs are increasing at a rate over 11% because of supply chain issues and the shortage of labor. Property insurance premiums are directly indexed to replacement values. Property insurance costs are also impacted by the frequency of natural disasters that have increased significantly here in New Jersey over the past decade with Irene in 2011, Sandy in 2012 and Ida in 2021. Hurricane Ida was the highest cost in the MEL yet; even more than Sandy although the total claims of Sandy were higher, the MEL retentions and deductibles are now much higher because of the experience in Sandy.

Mr. Grubb said the JIF purchased Cyber Liability from the commercial market beginning in 2013 when this was an emerging risk and the cost was cheap. Even then, the JIF Commissioners recognized the need to incentivize members to adopt loss control measures. As the costs of claims have been outpacing premiums each and every year, the MEL has modified its minimum standards. Although the Underwriting Manager continues to market the coverage; this year alone, he received 30 plus denials. Our current primary carrier is encouraged by the JIF and MEL efforts to increase member compliance with risk control. As part of that effort, the MEL is

working to form a separate JIF that intends to help members secure the services necessary to increase risk control. In order to meet increasing premiums and risk control costs, this line item is increasing by 60% as outlined within the budget as the Cyber JIF. Without improvements in member compliance, we may find ourselves uninsurable in the near future.

Mr. Grubb said in addition to the added pressures affecting premiums, the change in interest rates have also impacted the financials as outlined within the current financial fast track of the Fund, investments have declined by \$682,824 even though interest rates have increased slightly. Our portfolio is fixed income securities and when there is an increase in interest rates, it decreases the value of your portfolio; we are required statutorily to value all securities to the current market which produces a substantial loss reported for investment income.

Mr. Grubb said in consideration of everything discussed, most of the Joint Insurance Funds are experiencing increases from 7.5% to as high as 15%, which quite frankly is a miracle when compared to renewals outside of the Fund and we believe it is the result of the safety and claims control program currently in place.

Mr. Grubb said we are working with legislatures for CAP relief because we recognize that the increases are going to be difficult to put into municipal budgets which is proving to be more difficult than first realized however we continue to work on the changes given the financial stresses of for municipalities. Mr. Grubb said since he began working in local government in 1976, he has never seen a market such as the one we face today; it is a very difficult year.

In response to Chairperson Lapp, Mr. Grubb cautioned members that may consider other markets to place insurance, yes there are companies that will quote however, the problem you have is that the market is affecting everyone, not just joint insurance funds. There are companies out there that may “under bid” which we see some of that happening, the result is ignoring reality, sooner or later it will catch up to you. We are currently dealing with an outside joint insurance fund that is constructively bankrupt because of ignoring realities for a very long time, which has had an adverse effect. Risk Management Consultant added that the MEL professionals inclusive of Underwriting and Marketing is heavily involved in the annual marketing of the MEL program due to the market conditions. Mr. Grubb concurred adding that the solid long held relationships within the marketplace are paying off.

Mr. Grubb offered to any municipality that would like for the Fund professionals to meet with them, to please contact the Fund office and we would be more than happy to meet with the governing bodies who may have questions relating to the Fund budget and the current marketplace. Mr. Grubb personally volunteered to meet with anyone should they request same.

Executive Director referred to the 2023 proposed budget as recommended by the Finance Committee noting the conservative and consistent approach as taken in past years by increasing the loss funding, the amount set aside to pay claims, by \$1.2M or 10.92%, the total excess premiums increased by \$1M or 14.58% resulting in a total loss fund increase of \$2.2M or 12.39%. The professional fees are capped at an increase of 2% for a final budget increase of \$2,290,474 or 10.61%. Executive Director asked for any questions of the Finance Committee, Perma or the Executive Committee relating to the budget; hearing none,

MOTION TO INTRODUCE THE 2023 BUDGET FOR THE OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND IN THE AMOUNT OF \$23,884,225 AND SCHEDULE A PUBLIC HEARING FOR NOVEMBER 10, 2022.

MOTION: Commissioner Gross
SECOND: Commissioner von der Hayden
VOTE: Unanimous

Residual Claims Fund (RCF)

Executive Director said the public hearing on the RCF 2023 budget will be held on October 19, 2022 at 10:30AM in the Forsgate Country Club. A copy of Commissioner Laureigh's report of the September 7, 2022 meeting was reviewed as distributed.

Environmental JIF

Executive Director said the public hearing on the EJIF 2023 budget will also be held on October 19, 2022 at 10:50AM in the Forsgate County Club. A copy of Commissioner Laureigh's report of the September 7, 2022 meeting was reviewed as distributed.

MEL Report

Executive Director said the MEL's 2023 budget introduction is scheduled for October 19, 2022 at 11:15 AM at the Forsgate Country Club in Jamesburg NJ. A copy of Commissioner Laureigh's report of the September 7, 2022 meeting was reviewed as distributed.

Executive Director said the Fund should nominate its 2023 representative and alternate to the RCF, E-JIF and the MEL. Currently, Commissioner Laureigh is the representative and Chairperson Lapp is the alternate representative to the statewide funds and asked for nominations.

MOTION TO NOMINATE VERONICA LAUREIGH TO SERVE AS THE FUND'S REPRESENTATIVE TO THE RCF, E-JIF AND THE MEL AND CHAIRPERSON DIANE LAPP TO SERVE AS THE FUND'S ALTERNATE REPRESENTATIVE TO THE RCF, E-JIF AND THE MEL.

MOTION: Commissioner Von der Hayden
SECOND: Commissioner Gross
VOTE: Unanimous

PFOA/PFAS / 2023 EJIF Coverage - Forever Chemicals

As previously reported, during the EJIF's June meeting, the Board of Commissioners recommended that the Fund Professionals provide an Endorsement to add to our policy to include the recommendations of the Coverage Committee which will provide limited coverage for PFOA/PFAS claims in 2023. Adopted by the Executive Board was Resolution 25-22, outlining Endorsement #3 which will provide a \$25,000 sub limit per claim with an annual aggregate EJIF cap of 1 million dollars. The attached letter inclusive of Endorsement #3 was sent to all members and will be effective January 1, 2023.

Cyber JIF

Executive Director referred to Resolution #27-22 inclusive of Indemnity & Trust Agreement for consideration of Fund membership in the MEL Cyber JIF which will be effective January 1,

2023. Upon authorization of same, a representative of the Fund would also need to be appointed. Executive Director introduced once again, Mr. Joseph Hrubash, MEL Executive Director to review the implementation of the Cyber JIF.

Mr. Hrubash said Cyber Liability has been a growing area of exposure and loss as everyone is aware, the MEL has worked very hard to develop minimum standards however, the MEL Board of Commissioners felt it was important to treat cyber liability similar to the environmental JIF which was formed back in the mid-nineties and consider a separate risk management fund providing focus on Cyber training, education and providing services for membership. The EJIF proved to be cutting edge and the Cyber JIF will be yet another cutting-edge approach to a growing problem. Mr. Hrubash said he feels comfortable speaking on behalf of the MEL Commissioners and note that they are very excited about this venture. Mr. Hrubash added that the necessary filings have been made, the budget has been formed and reviewed by MEL Commissioners. A Cyber JIF meeting is currently being scheduled for which a representative from the Ocean JIF will need to be appointed as Executive Director previously mentioned.

Executive Director asked if there are any questions for Mr. Hrubash, the Board or Fund Professionals, hearing none;

MOTION TO ADOPT RESOLUTION #27-22 AUTHORIZING THE OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND TO BECOME A MEMBER IN THE CYBER JIF AND APPOINT CHAIRPERSON DIANE LAPP AS THE FUND COMMISSIONER AND COMMISSIONER MATTHEW VON DER HAYDEN AS THE ALTERNATE FUND COMMISSIONER.

MOTION:	Commissioner Gross
SECOND:	Commissioner Carney
VOTE:	Unanimous

Police Accreditation Program

Executive Director said The Borough of Beachwood has submitted executed documentation requesting balance of police accreditation grant of \$6,667 towards re-accreditation.

MOTION TO APPROVE THE REQUEST FOR RELEASE OF THE BALANCE OF THE POLICE ACCREDITATION GRANT IN THE AMOUNT OF \$6,667 FOR THE 2022 FUND YEAR.

MOTION:	Commissioner Gross
SECOND:	Commissioner Von der Hayden
VOTE:	Unanimous

Statutory Bonds

The Underwriting Manager's office has contacted municipal clerks of towns that are renewing their JIF membership to secure updated bond applications for statutory positions. We ask that any outstanding application be completed and submitted as soon as possible.

Due Diligence Reports

Executive Director referred to the August financial reports as distributed reviewing the fast track which outlines the deficits in fund years 2018 and 2021. Executive Director said there is a decrease in the statutory surplus for the month of \$155,838; there is sufficient funding in the closed year accounts to extinguish the deficit years however, this lowers the current statutory surplus to just over \$3M.

ATTORNEY

Fund Attorney had nothing to report at this time.

SAFETY DIRECTOR

Safety Director referred to the agenda report which outlined the September activities, inclusive of loss control and law enforcement surveys, followed by the listing of safety director bulletins and messages previously distributed. Safety Director also reviewed the activity associated with the MSI NOW and MSI DVDs and a housekeeping item when attending an online training where CEU credits are offered.

Copy of the Safety Director's Report made a part of the Minutes

UNDERWRITING MANAGER

In the absence of the Underwriting Manager, Executive Director referred to the agenda reports which outlined the cyber compliance status report and the listing of certificates of insurance previously issued. In response to Chairperson Lapp, Risk Management Consultant will provided the updated Cyber Risk Management Program V2.

List of Certificates made part of the Minutes.

RISK MANAGEMENT CONSULTANT

Risk Management Consultant welcomed back Mr. John Bennett to the Borough of Lavallette as the appointed Fund Commissioner and advised that Katie Walter will return from maternity leave on Tuesday, November 1st.

Risk Management Consultant referred to the agenda report as distributed noting the highlighted core items with focus on POL/EPL and Cyber Risk Management compliance. In addition, Risk Management Consultant said although the JIF renewal data collection process is complete, there one key item remains which is statutory bond renewal applications, there are some members that have not submitted to date; we encourage those outstanding to submit prior to release of non-renewal notices – the deadline for submission is November 21, 2022. Anyone receiving a non-renewal or denial letter should contact Risk Management Consultant for guidance.

Risk Management Consultant reminded members how critical it is to report any changes in their exposures as lack of timely reporting can jeopardize coverage in addition to the lack of reporting claims. Risk Management Consultant took the time to thank all members that could participate in the October 4th webinar sponsored by the Monmouth and Ocean Executive Safety Committees. The session was very valuable as it was an EJIF briefing and included a focus on the NJ DEP municipal storm water permits/renewal requirements. The EJIF has been a great avenue over the years acting as a liaison between the members of the EJIF and the NJ DEP which is tough to quantify from a value standpoint, but a very significant source for training which DEP signs off on as they are delighted that the EJIF steps in and finances trainings such as

this. Again, this training was a very valuable tool for training elements required in the permitting process.

Risk Manager referred to topic outlined within the agenda addressing concerns resulting from DEP’s lower standard of water testing. It is noted that insurance carriers are now excluding coverage from their policies for PFOA/PFAS (commonly known as “forever chemicals”) which has been developing in the marketplace for some time now. This is not the first time the insurance industry has reached a point where they consider an exposure uninsurable, noting lead and asbestos before this exclusion. During the EJIF’s September meeting the Board adopted Resolution 25-22, and further outlined Endorsement #3 which will remove coverage for contamination emanating from PFOA/PFAS and related compounds but will provide a \$25,000 sub limit per claim with an annual aggregate EJIF cap of \$1 million dollars. Risk Management Consultant referred to Executive Director’s “claim sweep” letter inclusive of Endorsement #3, which was sent to all members with a deadline of December 16, 2022; requesting any member with known claims be reported by the deadline date. This notification will pin the claim to fund year 2022 wherein some application of coverage is granted. Beginning January 1, 2023, the coverage will be excluded. The EJIF started to review how to address this coverage and what is outlined within the agenda is what we think is the best result possible for the upcoming fund year.

Copy of the Risk Manager’s Report made a part of the Minutes.

MANAGED CARE

Managed Care Provider referred to the reports through September 2022 which outlined the total number of bills received for the month of 408 with 99% network utilization. The total charges for the bills were \$631,934, once the Qual-Care contracted rates were applied, the bills were reduced to \$188,352 for a total savings of \$443,581 or 70%.

CLAIMS ADMINISTRATION

Claims Administrator said the Claims Committee of the Fund met on Tuesday, October 11, 2022 to review a total of twenty-two (22) payment authorization requests. Unless there are any questions, we ask for a motion to approve the pars as reviewed and recommended by the claims committee.

Claim #	Type
2020204997	WC
2021224971	WC
2019166572	WC
2020196929	WC
2022274634	WC
2023278828	WC
2022273499	WC
2023277797	WC

Claim #	Type
2023278611	WC
2022267278	WC
2022272785	WC
2019155278	GL
2020189319	AL
2022257846	Prop
2023278643	Prop
2020206788	GL

Claim #	Type
2020182447	GL
2020179982	AL
2022248757	GL
2022271412	GL
2022276510	Prop
2022276649	Prop

MOTION TO APPROVE PAYMENT AUTHORIZATION REQUESTS AS REVIEWED AND APPROVED BY THE CLAIMS COMMITTEE DURING THEIR MEETING OF OCTOBER 11, 2022.

MOTION:

Commissioner Gross

**SECOND:
VOTE:**

Commissioner Carney
Unanimous

OLD BUSINESS

None

NEW BUSINESS

None.

PUBLIC COMMENT

No Public Comments were made.

Need for an Executive Session

No

MOTION TO ADJOURN MEETING:

**MOTION:
SECOND:
VOTE:**

Commissioner Gross
Commissioner Von der Hayden
Unanimous

Meeting Adjourned at: 3:35 PM