

New Jersey Public Housing Authority Joint Insurance Fund

(hereinafter the "Fund" or the "NJPHA JIF")

ESTABLISHING THE 2019 PLAN OF RISK MANAGEMENT Resolution #7-19

BE IT RESOLVED by the Fund's governing body the 2019 Plan of Risk Management shall be:

Section I – Coverage

Insurance Coverages

The following coverages are provided to the Fund's members, effective January 1, 2019:

- Workers' Compensation
- Liability (including optional excess)
- Public Officials Liability / Employment Practices Liability (including optional excess)
- Crime
- Non-Owned Aircraft Liability
- Cyber
- Property & Equipment Breakdown (effective December 31, 2018)
- NJHMFA Excess Insurance

Limits of Coverage

Unless otherwise stated, all limits shown apply less any local member unit's SIRs/deductibles. All references to the "MEL" stand for the "Municipal Excess Liability Joint Insurance Fund". **Please note, the following is a general discussion of the coverages and limits provided via the Fund; however, the actual terms and conditions are defined in the policy documents and all issues shall be decided on such. Additional coverages, limits and conditions may apply. Please also note, deductibles may differ for individual members; please refer to your policy(ies) for full details.**

1. Workers' Compensation

- Workers' Compensation: \$300,000
- Employer's Liability: \$300,000
- USL&H, Harbor Marine/Jones Act, Incidental Foreign Workers' Compensation, Communicable Disease: Included
- MEL Excess Limit: Statutory
- Employer's Liability Excess Limit: \$6,700,000

2. Liability (*includes General, Automobile, Employee Benefits and Law Enforcement Liability*)

- Fund Limit: \$300,000
- MEL Excess Limit: \$4,700,000
 - The \$3,000,000 layer excess of \$2,000,000 is subject to a \$3,000,000 per local member unit annual aggregate (Automobile Liability is not aggregated)
- Sublimits: The following sublimits are part of, and not in addition to, the limits above:
 - Good Samaritan Liability: Included
 - Quasi Municipal Organization Liability: Included (if approved)
 - Fungus or Spores: \$1,000,000
 - Disinfectants Release Hazard Coverage: \$1,000,000
 - Dam and Reservoir: \$5,000,000
 - a. \$5,000,000 per occurrence for any member entity owned dams defined as Class III or IV in New Jersey Administrative Code, Title 7, Department of Environmental Protection, Chapter 20, 7:20-1.8;
 - b. Included for premises owned, occupied or controlled by the member entity on which a dam or reservoir is located, or from the operations conducted on such premises;

- c. \$2,000,000 per occurrence for any member entity owned dam defined as Class I or II in New Jersey Administrative Code, Title 7, Department of Environmental Protection, Chapter 20, 7:20-1.8; and
 - d. \$2,000,000 per occurrence for any Class III or IV member entity owned dam involved with a Class I or II member entity owned dam.
- Sanitary/Storm Water System Sewerage Backup and/or Sanitary System Sewerage Backup, Escape or Release: \$3,000,000 Per Occurrence and \$4,000,000 Annual Aggregate for all member entities
 - Subsidence: \$3,000,000 Per Occurrence and \$4,000,000 Annual Aggregate for all member entities\$0
 - Skateboard Facilities: \$5,000,000 Per Occurrence (where approved)
 - Riot, Civil Commotion or Mob Action: \$5,000,000 Per Occurrence
 - Failure to Supply Utility: \$5,000,000 Per Occurrence
 - Garagekeepers Liability: \$2,000,000 Per Occurrence
 - New Jersey Personal Injury Protection (NJ PIP): \$250,000
 - New Jersey Uninsured/Underinsured Motorist (NJ UM/UIM): \$15,000 / \$30,000 / \$5,000
 - The following is added to EXCLUSION E. of SECTION II - POLICY EXCLUSIONS: This EXCLUSION does not apply to bodily injury arising out of lead contamination, or out of the inhalation, ingestion, use, handling or contact with lead paint if the Member Entity has implemented the lead abatement control measures as required by the Lead Based Paint Poisoning Prevention Act (42 U.S.C. 4821, et seq.), the Lead Based Paint Hazard Retention Act (42 U.S.C. 4851, et seq.), and, with respect to federally assisted housing, HUD's Lead Safe Housing Rule (24 C.F.R. 35.80, et seq.). This coverage is subject to an annual aggregate sub-limit of \$1,000,000

3. **Optional Excess Liability Limit**

The MEL offers Optional Excess Liability Limits excess of the MEL Excess Limit.

- The following limits are the Optional Excess Limits:
 - \$2,000,000 (equals \$7,000,000 total);
 - \$5,000,000 (equals \$10,000,000 total);
 - \$10,000,000 (equals \$15,000,000 total); and
 - \$15,000,000 (equals \$20,000,000 total).

4. **Public Officials Liability / Employment Practices Liability**

Each local member unit is 100% commercially insured with QBE Specialty Insurance Company for \$2,000,000 in the aggregate per member on a claims made basis for each Fund year.

- Deductibles and Coinsurance:
 - \$20,000 is the standard deductible per claim and 20% of the first \$250,000 of the loss is the standard coinsurance, although other deductibles and coinsurances may apply.
 - Local member units may qualify based on certain criteria to have options to purchase a lower deductible and/or coinsurance contribution.
 - Members with adverse loss experience may be subject to higher deductibles and/or coinsurance.
- Optional Wage Coverage: \$50,000 aggregate per member

5. **Optional Excess Public Officials Liability / Employment Practices Liability**

The MEL offers Optional Excess Public Officials Liability / Employment Practices Liability limits excess of the local member units' primary \$2,000,000 Public Officials Liability / Employment Practices Liability policies with QBE Specialty Insurance Company as follows:

- \$1,000,000 (equals \$3,000,000 total);
- \$2,000,000 (equals \$4,000,000 total);
- \$3,000,000 (equals \$5,000,000 total);
- \$4,000,000 (equals \$6,000,000 total); and
- \$8,000,000 (equals \$10,000,000 total).

6. Optional Volunteer Directors & Officers Liability (N/A)

Fire companies and Emergency Service Units have the option of purchasing optional Volunteer Directors & Officers Liability coverage. The coverage is 100% commercially insured with None and applies to the non-firematic/emergency activities of such entity per the following options:

Option	Limit of Liability	Deductible
1	\$0	\$0
2	\$0	\$0
3	\$0	\$0
4	\$0	\$0
5	\$0	\$0
6	\$0	\$0

7. Crime

- The Fund provides Crime coverage with a limit of \$50,000 for: Public Employee Dishonesty, Forgery and Alteration, Theft, Disappearance and Destruction, Robbery and Safe Burglary, and Computer Fraud with Funds Transfer Fraud
- The member deductible is \$2,500
- MEL Crime
 - MEL Crime Excess: \$950,000 excess of the Fund Crime limit
 - MEL Crime Statutory Position:
 - a. The MEL provides primary employee dishonesty and faithful performance coverage for those employed positions which are required by law to be individually bonded and where they have applied and have been approved for coverage at a limit of \$1,000,000 per occurrence per position
 - b. The deductible is \$1,000
 - MEL Crime Excess Public Officials:
 - a. The MEL provides excess employee dishonesty and faithful performance coverage for those employed positions which are required by law to be individually bonded and where they have not applied or have not been approved for coverage under the MELJIF Statutory Position Program at a limit of \$1,000,000
 - b. The deductible is the greater of the underlying bond/policy in place or the statutory limit required

8. Non-Owned Aircraft Liability

- \$5,000,000; and
- Medical Expense for each passenger: \$5,000
- The coverage is 100% commercially insured with Endurance

9. Cyber

The Fund is 100% commercially insured for Cyber insurance with Indian Harbor Insurance Company (primary insurer) and Beazley (excess insurer) for the following limits:

- Limits:
 - Fund Annual Aggregate: \$12,000,000
 - Third Party, Per Claim: \$6,000,000
 - First Party, Per Claim: \$4,000,000
- Retention, Per Claim: \$10,000

10. Property & Equipment Breakdown

- The Fund provides a \$100,000 limit per occurrence (Property & Time Element combined)
- The MEL provides a \$400,000 limit excess of the Fund's limit
- The MEL purchases additional excess property limits, as follows: \$125,000,000, including certain sublimits, including, but not limited, to:
 - Aggregate, Earth Movement: \$100,000,000
 - Aggregate, Flood (includes Storm Surge): \$100,000,000

- a. Per Location, Special Flood Hazard Area (SFHA): \$52,500,000
 - Named Storm: Included
 - Vehicles: \$15,000,000
 - Member deductibles:
 - All Other: \$5,000
 - Automobile Physical Damage: \$2,500
 - Equipment Breakdown: \$5,000
 - SFHA Flood (Housing Authorities / Non-Profit Buildings):
 - a. Building: \$250,000
 - b. Contents: \$100,000
 - c. Time Element: \$250,000
 - Named Storm (Covered Property in Atlantic, Ocean, Monmouth and Burlington counties east of the Garden State Parkway, and any covered property in Cape May County):
 - a. Property Damage: 1% of TIV at location, per occurrence
 - b. Time Element: 1% of 12 months gross earnings at location, per occurrence
 - c. Minimum, per location: \$500,000
 - d. Maximum, per occurrence: \$1,000,000
11. NJHMFA Excess Insurance The Municipal Excess Liability Joint Insurance Fund (MEL) provides excess insurance coverages with respect to those properties financed by the New Jersey Housing and Mortgage Finance Agency (NJHMFA) or are subject to requirements contained within a Financing, Deed Restriction and Regulatory Agreement with the NJHMFA and are insured by the New Jersey Public Housing Authority Joint Insurance Fund (NJPHA JIF) and/or the MEL so that all applicable NJHMFA Insurance Specifications / Minimum Requirements (NJHMFA Insurance Requirements), as may be amended from time to time, on a per property/per occurrence basis, except the NJPHA JIF does not provide primary flood insurance for properties in flood zones A, V and shaded X as defined by the Federal Emergency Management Agency (FEMA) (including all variations of A, V and shaded X), if applicable. In such cases, it is the property owner's responsibility to obtain primary flood coverages through the National Flood Insurance Program (NFIP) to the maximum extent of coverages available under the NFIP. The MEL provides flood coverage in excess of the NFIP maximum coverage limits up to a per property sub-limit of \$2.5 million. The NJPHA JIF and the MEL are not responsible for determining whether or not a property is located in a flood zone or for procuring primary flood insurance for such property. Except with respect to the requirement for a property owner to obtain primary flood insurance through NFIP as noted herein, should any insurance coverages, including excess flood coverages, provided by the NJPHA JIF and/or the MEL not meet any of the applicable NJHMFA Insurance Requirements, the NJPHA JIF and/or the MEL will provide insurance coverages, excess insurance coverages and/or difference-in-conditions coverages (DIC) as applicable to meet all applicable NJHMFA Insurance Requirements to the sole satisfaction of the NJHMFA.

Amount of Risk to be Retained by the Fund

Unless otherwise stated, all limits shown apply less any local member unit's SIRs/deductibles.

1. **Workers' Compensation:** \$300,000
2. **Liability:** \$300,000
 - NJ Uninsured/Underinsured Motorist: \$15,000 / \$30,000 / \$5,000
 - NJ Personal Injury Protection: \$250,000
3. **Optional Excess Liability Limit:** \$0
4. **Public Officials Liability / Employment Practices Liability:** \$0
5. **Optional Excess Public Officials Liability / Employment Practices Liability:** \$0

6. **Optional Volunteer Directors & Officers Liability:** \$0
7. **Crime:** \$50,000
 - MEL Crime Excess: None
 - MEL Crime Statutory Position: None
 - MEL Crime Excess Public Officials: None
8. **Non-Owned Aircraft Liability:** \$0
9. **Cyber:** \$0
10. **Property:** \$100,000
 - Equipment Breakdown: \$0
 - SFHA Flood: \$0
 - Named Storm (Covered Property in Atlantic, Ocean, Monmouth and Burlington counties east of the Garden State Parkway, and any covered property in Cape May County): \$0
11. NJHMFA Excess Insurance:

Commercial Insurance / Reinsurance Purchased

The insurance/reinsurance listed below may contain sublimits, retentions and deductibles in addition to such already stated.

1. **Non-Owned Aircraft Liability:** The Fund purchases this coverage through the MEL from Endurance
2. **Excess Property & Equipment Breakdown:** The Fund purchases this coverage from the MEL
3. **Excess Liability:** The Fund purchases this coverage from the MEL
4. **Excess Workers' Compensation:** The Fund purchases this coverage from the MEL
5. **Excess Crime:** The Fund purchases this coverage from the MEL
6. **Public Officials Liability / Employment Practices Liability:** The Fund purchases this coverage from QBE Specialty Insurance Company
7. **Optional Volunteer Directors & Officers Liability:** None
8. **Cyber:** The Fund purchases this coverage from Indian Harbor Insurance Company and Beazley
9. NJHMFA Excess: MEL

Section II – Conditions

The Amount of Unpaid Claims to be Established

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

The Method of Assessing Contributions to be Paid by Each Member of the Fund

1. By November 15th of each year, the actuary computes the probable net cost for the upcoming Fund year by line of coverage and for each prior Fund year. The actuary includes all budget items in these computations. The annual assessment of each participating authority is its pro rata share of the probable net cost of the upcoming Fund year for each line of coverage as computed by the actuary.
2. The calculation of pro rata shares is based on each authority's experience modified manual premium for that line of coverage. The Fund's governing body also adopts a capping formula which limits the increase of any member's assessment from the preceding year to the Fund 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 Fund's governing body at least one (1) month prior to the beginning of the next fiscal year.
3. The treasurer deposits each member's assessment into the appropriate accounts, including the administrative account, and the claim or loss retention trust fund account by Fund year for each type of coverage in which the member participates.
4. If a local unit becomes a member of the Fund or elects to participate in a line of coverage after the start of the Fund year, such participant's assessments and supplement assessments are reduced in proportion to that part of the year which had elapsed.
5. The Fund's governing body may by majority vote levy upon the participating members 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 are charged to the participating members by applicable Fund year, and shall be apportioned by the year's assessments for that line of coverage.
6. Should any member fail or refuse to pay its assessments or supplemental assessments, or should the Fund 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 Fund'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 Fund's governing body.

Procedures Governing Loss Adjustment and Legal Expenses

1. The Fund engages a claims service company to handle all claims, except for the JIF's POL/EPL and Volunteer D&O, which are handled by Summit Risk Services representing QBE Specialty Insurance Company. The performance of the claims adjusters is monitored and periodically audited by the Executive Director's office, the Fund attorney, the MEL's attorney's office, as well as the claims department of the MEL's three major liability insurers/re-insurers (i.e. General Re and Munich Re for liability, and Safety National for workers' compensation). Every three years, the MEL's internal auditors also conduct an audit.
2. Each member local unit is provided with a claims reporting procedure and appropriate forms.
3. In order to control workers' compensation medical costs, the Fund has engaged a managed care organization (MCO) whose procedures are integrated into the Fund's claims process.
4. To provide for quality defense and control costs, the Fund 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 Fund attorney, as well as the various firms which audit the claims adjusters.

Procedures for the Closure of Fund Years, including the Maintenance of All Relevant Accounting Records

1. The Fund utilizes the Municipal Excess Liability Residual Claims Fund (RCF) to facilitate the closure of Fund years.
2. Upon the transfer of outstanding liabilities of a Fund year to the RCF, the Fund adopts a resolution closing that year and transfers all remaining assets to the closed Fund year account. This amount is allocated by member local units using the same procedure as is used to calculate a dividend. Each month, interest is credited to the closed Fund year account by member.
3. Each year, the Fund's governing body will determine if a dividend is appropriate from the closed Fund year account, and will make application to the Department of Insurance as appropriate. Further, in the event an open Fund year incurs a deficit, the Fund's governing body will consider an inter-year transfer from the closed Fund year account to offset the deficit. In either case, the dividend or inter-Fund year transfer will be calculated on a member by member basis.
4. In the event a member leaves the Fund, the Fund's governing body may assess the member's closed Fund Year account an amount not exceeding three (3) years stranded costs that the Fund incurs as a result of the member's withdraw. Stranded costs are those expenses incurred by the Fund that would otherwise have been paid from the withdrawing member's assessments had the member remained in the Fund. In addition, Members with positive closed fund year balances are authorized to use their respective closed fund year account balances for the purposes of making certain POL/EPL deductible and/or co-insurance payments to QBE Specialty Insurance Company in connection with the Member's pending POL/EPL litigation. A member may apply to the Fund's governing body for a return of that member's remaining share of the closed Fund year account when five (5) years have passed since the last Fund year in which the member participated has been closed. The Fund's governing body will decide on the former member's request after evaluating the likelihood of any additional assessments from the RCF.
5. All dividends from the RCF will be deposited in the closed Fund year account on a member by member basis.
6. The Fund will retain all records in accordance with the Fund's record retention program.

Assumptions and Methodology Used for the Calculation of Appropriate Reserve 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 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 the 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.

The Maximum Amount a Certifying and Approving Officer May Approve Pursuant to N.J.A.C. 11:15-2.22

1. \$10,000. Effective 2/12/14, the Claims Administrator has discretion up to \$2,500 to waive subrogation if the claim file is properly documented with their efforts. Over \$2,500 and up to

\$10,000, Claims Administrator will email JIF Attorney with a copy to the Fund Administrator for waiver authority. Excess of \$10,000, Claims Administrator will prepare a Payment Authorization Request and submit to the JIF Executive Committee for review and approval.

2. \$50,000 above present claim authority level; "Emergency Court House" upon the joint authorization of the Fund Attorney and Executive Director. Whenever this procedure is implemented, the claim shall be reported to the Commissioners at their next meeting.
3. With the advance approval of the Fund Attorney, the certifying and approving officer may also pay provider 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.

ADOPTED this 9th day of January, 2019;