

REPORT ON EXAMINATION
AS TO CONDITION OF THE
OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND
PARSIPPANY, NEW JERSEY 07054
AS AT DECEMBER 31, 2013

Filed

November 25, 2015

**Commissioner
Department of Banking &
Insurance**

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

OFFICE OF SOLVENCY REGULATION

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September 30, 2015

Honorable Richard J. Badolato
Acting Commissioner of Banking and Insurance
New Jersey Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets, liabilities, method of conducting business and other affairs of the:

**OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND
PARSIPPANY, NEW JERSEY 07054.**

Hereinafter referred to in this report as the "Fund."

SCOPE OF EXAMINATION

This financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by N.J.S.A. 40A:10-47.

The examination was made as at December 31, 2013. The Fund was last examined at December 31, 1999. The examination was conducted at the office of the Fund's Executive Director, PERMA Risk Management Services ,9 Campus Drive, Suite 216, Parsippany, New Jersey 07054.

The conduct of the examination was governed by the procedures outlined in the N.A.I.C. Financial Condition Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining the emphasis to be placed on specific accounts, consideration was given to the Company's system of internal control, the nature and size of each account, its relative importance to solvency and the results of the previous financial condition examination.

In the verification of matters as shown in this report, limited test checks were made, some complete and others partial. Consideration was allowed for limiting the verification on certain accounts at a point where they were determined to be substantially correct or the account under review was considered insignificant and not crucial to the Company' solvency.

HISTORY AND KIND OF BUSINESS

The Fund was established February 1, 1987 in accordance with Public Law 1983, C. 372 entitled " An act concerning joint insurance funds for local units of government and supporting Chapter 10 of Title 40A of the New Jersey Statutes. The Fund is both a self-insured and self administered group of municipalities established for the purpose of insuring against property damage, general liability, motors vehicles and equipment liability and workers compensation.

The Fund began with eleven members Beachwood Borough, Dover Township, Eagleswood Borough, Jackson Township, Lacey Township, Lakehurst Borough, Lakewood Township, Point Pleasant Borough, Stafford Township, Surf City Borough and Tuckerton Borough.

As of December 31, 2013, the Ocean Fund has the following 31 members:

* Beachwood Borough	2/1/87
* Dover Township (Toms River)	2/1/87
* Eagleswood Township	2/1/87
* Jackson Township	2/1/87-12/31/04
* Lacey Township	2/1/87
* Lakehurst Borough	2/1/87
* Lakewood Township	2/1/87
-*Point Pleasant Borough	2/1/87
* Stafford Township	2/1/87

* Surf City Borough	2/1/87
* Tuckerton Borough	2/1/87
Long Beach Township	6/8/87
Barnegat Township	1/1/88
Ocean Gate Borough	1/1/88
Harvey Cedars Borough	1/1/88
Lavallette Borough	1/1/88
Little Egg Harbor Township	1/1/88
Ship Bottom Borough	1/1/88
Manchester Township	3/20/88
Barnegat Light Borough	6/24/88
Island Heights Borough	8/1/88
Ocean Township	1/1/89
South Toms River Borough	1/1/89
Pine Beach Borough	2/15/89
Beach Haven Borough	2/16/89
Plumstead Township	11/9/89
Seaside Heights Borough	1/28/91
Point Pleasant Beach Borough	1/1/90
Bay Head	1/1/93
Seaside Park Borough	6/22/94
Brick Township	1/1/99
* Denotes charter member	

The registered agent upon whom process may be served is PERMA, 9 Campus Drive, Parsippany, NJ 07054.

TERRITORY AND PLAN OF OPERATION

The Fund was formed to provide local governing bodies with an economical means of obtaining insurance coverages. The coverage provided includes property, boiler and machinery, automobile liability and physical damage, general liability, public official liability, contractors equipment, public employees blanket bond, law enforcement liability, educators legal liability, environmental liability and excess liability.

Any municipality seeking membership into the Fund shall submit an application for membership along with the necessary resolution and copies of current policies, five-year historical claim information, latest budget, latest auditor's report and an application fee of \$1,000.

Membership should meet the following criteria:

1. Be located within a reasonable proximity to Ocean County.
2. Be homogeneous in size and operations to the existing members of the Fund.
3. Show a favorable loss history for at least five years and generally have shown a proven dedication to loss prevention.

4. Demonstrate a willingness to participate in Fund activities and development.
5. Agree to comply with the state regulations, which govern the Fund, The Fund By-laws and all regulations promulgated by the Fund.

The Executive Director/Administrator reviews applications for completeness, accuracy and compliance with established underwriting guidelines. The Executive Director/Administrator then forwards the necessary underwriting information to the Fund's actuary who will develop annualized loss projections by line of coverage based on the applicant's loss experience and exposures. In addition, the Executive Director/Administrator simultaneously requests the Fund's safety director to undertake a comprehensive physical inspection on the applicant's locations.

Once the process is completed the Executive Director/Administrator presents the new applicants to the Executive Committee for approval consideration. The Executive Committee will review such items as:

- New member data summary
- Compatibility studies
- Loss information
- Safety Inspection Reports
- Proposed Annual Assessments

The application requires a majority vote of the Executive Committee.

If the application is approved by the Fund, it shall be concurrently filed with the Department of Banking and Insurance and the Department of Community Affairs and shall be accompanied by such amendments to the Fund's By-laws, budget and plan of risk management as may be appropriate.

In addition revisions made to N.J.S.A. 40A: 10-36 allows fire districts to join a joint insurance fund. The Fund has adopted the following membership criteria for fire districts:

- (a) Sponsorship: Only fire districts sponsored by a member municipality will be considered.
- (b) Financial Responsibility: The sponsoring member municipality must accept all financial responsibility arising from participation of the fire district including assessments, supplemental contributions, additional assessments and return dividends.
- (c) Billing & Vouchering: The Executive Director/Administrator will bill each fire district separately from that of the member municipality.

- (d) Representation: The fire district will be represented solely by the Fund commissioner of the sponsoring member municipality.
- (e) Risk Management Consultants: The fire district will be served by the Fund's designated Risk Management Consultant of the sponsoring municipality.
- (f) Underwriting Guidelines: Fire districts will be underwritten as if they were applying as a new member. This includes the payment of any established new member review fees. This process includes completion of a full application, actuarial review and safety inspection.
- (g) Acceptance of a Fire District: Fire districts may only be admitted by a majority vote of the Executive Committee following membership review. The criteria for admission will be the compatibility of the fire district to other fire service exposure currently insured by the Fund.
- (h) Termination of Coverage: A fire district may be terminated by the Executive Board from coverage for failure to follow safety and loss control guidelines set forth by the safety director. Termination of a fire district will not effect membership of sponsoring member municipality. However, the fire district's membership will be concurrently terminated if the sponsoring member municipality terminates its membership for any reason.
- (i) Legal Requirement: As a condition to membership by the fire district, a resolution must be received from the sponsoring member municipality evidencing its agreement with the Camden Fund as respects its financial responsibility for the fire district. Likewise, a resolution by the fire district must be executed evidencing representation by the sponsoring member municipality and compliance to safety directives.

The following is a listing of Fund Professionals serving at December 31, 2013:

Administrator: PERMA Risk Management Services ---The Administrator shall act as the executive director of the Fund to carry out the policies established by the commissioners or executive committee. He shall be experienced in risk management matters and shall not be a commissioner of the Fund.

The Administrator shall perform the following:

1. The Administrator shall carry out the day to day operation of the Fund.
2. Shall advise on risk management matters and prepare draft modifications to the Fund's Risk Management Plan.
3. Shall maintain underwriting data.

4. Shall draft bid specifications for services as necessary.
5. Shall monitor the performance of service companies.
6. Shall write a draft budget for review by the Commissioners.
7. Shall perform such other duties as provided for by the Fund Commissioners, the by-laws and New Jersey Statutes.

Fund Actuary: Dennis Henry of Actuarial Advantage – The Actuary shall certify the actuarial soundness of the Fund and shall provide such actuarial reports and reviews as required by the Fund and the New Jersey Department of Banking and Insurance.

Fund Auditor: Robert Allison of Holman Frenia Allison, P.C. – The Auditor shall be an independent certified public accountant or a registered municipal accountant and not a commissioner. The Auditor shall conduct the annual audit of the Fund and shall perform such other duties as provided for by the Fund commissioners or executive committee, the By-laws and the laws and regulations of the State of New Jersey.

Fund Attorney: Stephen Zabarsky, Esq. of Citta, Holzapfel, & Zabarsky– The Fund Attorney shall be admitted to the Bar of the State of New Jersey and have the following responsibilities:

1. Advise the Fund on legal matters, attend the Fund’s regular monthly meetings to advise the Fund on legal matters and consult with counsel representing the Fund in defense of claims.
2. Advise the Fund on selection of counsel to represent the Fund in the defense of claims.
3. Perform such other duties as provided for by the Fund Commissioners, the Fund By-laws and the laws and regulations of the State of New Jersey.

Treasurer: William Garofalo-- The Treasurer shall be a certified municipal finance officer, not be a commissioner and shall have the following duties and responsibilities:

1. Be the custodian of Fund assets and maintenance of various trust funds.
2. Approve receipts, disbursements and financial records.
3. Prepare cash management plan and invest funds
4. Perform other related duties as designated by the Fund Commissioners in accordance with the By-laws of the Fund and laws and regulations of the State of New Jersey.

Managed Care Provider: Steve McNamara of Consolidated Services Group – The Managed Care Provider will establish and maintain an adequate network of hospitals, physicians, laboratories and other appropriate facilities and provide notification, within one business day, to the Fund's TPA of all new losses. Other services provided include provider and facility credentialing, pre-authorization of all medical treatment, establishment of treatment schedules and concurrent reviews and discharge coordination for inpatient hospitalization.

Safety Director/Right to Know Provider: Joanne Hall of J.A. Montgomery Risk Control Services - As Safety Director this professional will provide safety and loss prevention services on behalf of the Fund. As Right to Know Provider this professional will provide a technically qualified instructor to provide right to know training the Fund's members.

Underwriter: Joseph Hrubash of Conner Strong & Buckelew – Services provided by the Underwriter Include the following:

1. Assist in ongoing coordination, updating and preparation of coverage documents detailing all lines and limits of coverage provided by the Fund to the member municipalities as well as coordinating the drafts of these documents.
2. Respond to questions related to coverage from members, insurance producers or the Executive Director.
3. Calculate excess insurance/reinsurance premiums based on rates negotiated with insurer/reinsurer for each member based upon renewal exposure data provided by the Executive Director.
4. Market, negotiate and place excess property insurance and reinsurance coverage in conjunction with the Executive Director and as authorized by the Fund's Executive Committee.

Asset Manager: Wells Capital Management – The Asset Manager provides custodial services and assure the safekeeping of all security holdings of the Fund acting as a discretionary trustee over the assigned assets of the Fund in a manner which is consistent with the Fund's Cash and Investment Management Plan.

Risk Management; Consultant, Michael Avalone of Conner Strong & Buckelew – The Risk Management Consultants shall assist the participating municipalities in identifying insurable Property and Casualty exposures and in understanding and selecting various coverages available to them.

In settling claims the Fund utilizes the services of a third party administrator Qual-Lynx.

MANAGEMENT AND CONTROL

Each participating municipality shall appoint one commissioner to the Fund. Each participating municipality shall select either a member of its governing body or one of its municipal employees. In addition each participating municipality shall have the right to appoint one (1) alternate to attend either regular or special meetings on behalf of the municipality in the absence of the Fund Commissioner. The alternate Commissioner must be either an elected official or an employee of the appointing municipality.

In the event that the number of participating municipalities is an even number, one additional commissioner shall be appointed annually by a participating municipality on a rotating basis determined alphabetically.

All terms of office shall expire on January 1st or until a successor is duly appointed and qualified. A Commissioner, other than the special commissioner, who is a member of the appointing municipality's governing body shall hold office for two years or for the remainder of his/her term of officer as a member of the governing body whichever shall be less. Commissioners who are employees of the appointing municipality shall hold office at the pleasure of the municipality and can be removed by the municipality at any time without cause. The special commissioner, if any, shall serve until January 1st or the year following appointment provided, however, that if the special commissioner is an employee of the appointing municipality, he can be removed by the appointing municipality at any time without cause.

The unexpired term of a commissioner other than the special commissioner, shall be filled by the appointing municipality in the manner generally prescribed by law. In the event of a vacancy of the special commissioner caused by reason other than the expiration of the term of office, the municipality, which appointed the commissioner, shall appoint the replacement for the unexpired term. Any commissioner can be removed from office for cause by two-thirds vote of the full membership of the Fund commissioners. Upon such a vote it shall be incumbent upon the member municipality to replace the commissioner.

The commissioners are hereby authorized and empowered to operate the Fund in accordance with these By-laws and appropriate state laws and regulations.

Each commissioner shall have one vote, provided however, that the special commissioner shall only vote in the event of a tie.

The following is listing of commissioners serving at December 31, 2013:

Gail J. Wetmore
Commissioner
Barnegat Light Borough
P O Box 576
Barnegat Light, NJ 08006

David Breedan
Chief Financial Officer
Barnegat Township
900 West Bay Avenue
Barnegat, NJ 08005

Patricia Applegate
Clerk
Bay Head Borough
81 Bridge Avenue
Bay Head, NJ 08742

Richard Crane
Commissioner
Beach Haven Borough
300 Engleside Avenue
Beach Haven, NJ 08008

Ed Zakar
Councilman
Beachwood Borough
1600 Pinewald Road
Beachwood, NJ 08722

Stephen Acropolis
Mayor
Brick Township
401 ChamberBridge Road
Brick, NJ 08723

James R. Pine
Committeeman
Eagleswood Township
146 Division Street
West Creek, NJ 08092

Michael Garofalo
Commissioner
Harvey Cedars Borough
P O Box 435
Harvey Cedars, NJ 08008

Ellie Rogalski
Clerk
Island Heights Borough
East End & Vansant Avenue
P O Box 797
Island Heights, NJ 08732

Jose Torres
Administrator
Jackson Township
95 Veterans Highway
Jackson, NJ 08527

Veronica Laureigh
Clerk

Lacey Township
818 W. Lacey Road
Forked River, NJ 08731

Bernadette Dugan
Clerk

Lakehurst Borough
5 Union Avenue
Lakehurst, NJ 08733

Steven Langert
Deputy Mayor

Lakewood Township
231 Third Street
Lakewood, NJ 08701

Christopher Parlow
Clerk
P O Box 67

Lavallette Borough
1306 Grand Central Avenue
Lavallette, NJ 08735

Garret Loesch
Administrator
P O Box 262

Little Egg Harbor Township
7 Gifford Road
Little Egg Harbor, NJ 08087

Elizabeth Jones
CFO

Long Beach Township
6805 Long Beach Boulevard
Beach Haven, NJ 08008

Diane Lapp
Director of Finance

Manchester Township
1 Colonial Drive
Manchester, NJ 08733

Paulette Konopka
CFO

Ocean Gate Borough
151 East Longport Avenue
Ocean Gate, NJ 08740

Christine Thorne
CFO

Ocean Township
50 Railroad Avenue
Waretown, NJ 08758

Charlene Carney
Borough Clerk

Pine Beach Borough
599 Pennsylvania Avenue
Pine Beach, NJ 08741

Erik Sorchik
Committeeman

Plumstead Township
121 Evergreen Road
New Egypt, NJ 08533

Robert Forsyth
Superintendent

Point Pleasant Borough
Public Works 2233 Bridge Avenue
Point Pleasant, NJ 08742

Maryann Ellsworth
Clerk

Point Pleasant Beach Borough
416 New Jersey Avenue
Point Pleasant Beach, NJ 08742

Diane Stabley
Clerk
P O Box 38

Seaside Heights Borough
901 Boulevard
Seaside Heights, NJ 08751

Bob Martucci
Administrator

Seaside Park Borough
Sixth & Central Aves.
Seaside Park, NJ 08752

Richard Bethea
Administrator

Ship Bottom Borough
1621 Long Beach Bouevard
Ship Bottom, NJ 08008

Greg Handshy
Councilman

South Toms River Borough
144 Mill Street
South Toms River, NJ 08757

John Spodofora
Mayor

Stafford Township
260 E. Bay Avenue
Manahawkin, NJ 08050

David Pawlishak
CFO

Surf City Borough
813 Boulevard
Surf City, NJ 08008

Paul Shives
Administrator
PO Box 728

Toms River Township
33 Washington Street
Toms River Township, NJ 08754

Grace DiElmo
Borough Clerk

Borough of Tuckerton
140 E. Main Street
Tuckerton, NJ 08087

If the total number of commissioners exceeds seven (7), as soon as possible after the beginning of the year they shall meet and elect five (5) commissioners to serve with the Chairperson and the Secretary as the executive committee of the Fund. During their terms of office, members of the executive committee shall exercise the full power and authority of the commissioners except as otherwise provided.

The executive committee shall serve until January 1st of the following year or until their successors are duly elected and qualified.

In the event the Commissioners shall elect an Executive Committee as provided for above, they may also elect up to seven additional commissioners to serve as alternate members of the Executive Committee to attend either regular or special meetings to serve in the absence of a member, or members, of the Executive Committee. An alternate or alternates serving in the absence of a member, or members, of the Executive Committee shall exercise the full power and authority of that absent member or members

The members of the executive committee and alternates elected and serving at December 31, 2013 were as follows:

James Pine	Chairperson
Charlene Carney	Vice Chair
Paul Shives	Secretary
Diane Lapp	Committeeman
Veronica Laureigh	Committeeman
Mayor Stephen Acropolis	Committeeman
Dave Pawlishak	Committeeman

Alternates:

Christopher Parlow	Alternate #1
Steven Langert	Alternate #2

As soon as possible after the beginning of each year the commissioners shall meet to elect officers of the Fund from their own membership including a chairperson and a secretary who shall be elected annually.

Officers will serve until January 1st of the following year or until a successor is duly elected and qualified.

The Chairperson shall preside at all meetings of the commissioners and shall perform such other duties provided for in the By-laws and the laws and regulations of the State of New Jersey.

The Secretary shall preside over meeting of the commissioners in the absence of the Chairperson, maintains minutes of meetings, retain all books, records, files and other documents of the Fund, and shall perform such other duties as provided for in the By-laws.

In the event of vacancy in any of the officer positions caused by other than the expiration of the term of office, the commissioners shall by majority vote, fill the vacancy for the unexpired term. Any officer can be removed without cause by two-thirds vote of the full membership of Fund commissioners. In this event the full membership of Fund commissioners shall fill vacancy for the unexpired term.

At December 31, 2013 the Chairperson was James Pine, the Vice-Chairperson was Charlene Carney and the Secretary was Paul Shives.

The following is a listing of fund Committees elected and serving at December 31, 2013:

Safety Committee

Joseph Gilsenan, Chairperson
Charlene Carne
Ed Zakar
Arthur Abline
Ronald Copp
Casey Parker
Paul Daley
Tom Rodgers
Tony Arrecchi
Roger Budd
Robert Tapp
Chief Larry Williams
Dave McHale
Michael Avalone
Steve Sacco
Gemma Armenia

Rules & Contracts Committee

Paul Shives, Chair
James Pine

Finance Committee

James Pine
Paul Shives
Charlene Carney

Coverage Committee

Dave Pawlishak
Diane Lapp

Review Committee

- James Pine
- Paul Shives
- Joseph Gilsean
- Steven Acropolis
- Dave Pawlishak
- Christopher Parlow
- James Moran
- Gemma Armenia
- Steve McNamara

A review of the minutes indicates the transactions and events of the Fund are adequately reviewed.

INSURANCE COVERAGE AND EXCESS INSURANCE

The following is a summary of insurance coverages the Fund provides to its members:

PROPERTY

Property coverage is provided by Zurich American Insurance for a \$125,000,000 limit with a \$250,000 per occurrence deductible. The \$125,000,000 per occurrence limit is shared by all member entities of the Municipal Excess Liability Joint Insurance Fund (MEL) member JIFS. The \$250,000 deductible is covered by the Fund for \$50,000 per occurrence, less a \$2,500 per occurrence member deductible with the MEL providing coverage for \$200,000 per occurrence in excess of \$50,000 per occurrence.

The policy with Zurich provides a sublimit for flood of \$50,000,000 per occurrence and in the aggregate. There is also a limitation of \$2,500,000 per location for loss or damage arising from flood for locations wholly or partially within Special Flood Hazard Areas, areas of 100 year flooding as defined by the Federal Emergency Management Agency. In addition the policy contains a per occurrence deductible for municipalities of \$500,000 per building and \$500,000 per building contents for locations within the Special Flood Hazard Area.

Other Sub-limits contained in the Zurich Policy are as follows:

Peril	Limit
Earthquake	\$50,000,000 annual aggregate
Builders Risk	\$25,000,000 per occurrence
Demolition and Increased cost of Construction	\$25,000,000 per occurrence
Newly Acquired Real and Personal Property (90 days)	\$25,000,000 per occurrence
Leasehold Interest	\$15,000,000 per occurrence
Loss of Rents	\$15,000,000 per occurrence

Debris Removal	\$15,000,000 per occurrence or 25% of the cost whichever is less
Valuable Papers and Records	\$10,000,000 per occurrence
Extra Expense	\$10,000,000 per occurrence
Accounts Receivable	\$10,000,000 per occurrence
Expediting Expense	\$10,000,000 per occurrence
Miscellaneous Unnamed Locations	\$5,000,000 per occurrence
Civil Authority	\$5,000,000 per occurrence time element coverages only for revenue producing properties
Business Interruption	\$5,000,000 per occurrence time element coverages only for revenue producing properties
Service Interruption	\$10,000,000 per occurrence property damage and time element combined
Ingress/Egress	\$5,000,000 per occurrence or (30) days whichever is less
Soft Costs	\$5,000,000 per occurrence
Fine Arts	\$2,500,000 for Fine Arts owned and non-owned
Cyber Secure	\$1,000,000 per occurrence
Transit	\$1,000,000 per conveyance/occurrence
Tenant Relocation	\$750,000 per occurrence
Pollution and Contamination Clean up	\$250,000 per occurrence and in the aggregate
Loss Adjustment Expenses	\$250,000 per occurrence and \$500,000 annual aggregate
Asbestos Clean up	\$50,000 per occurrence and in the aggregate

The JIF and ~~the~~ MEL do not retain any risk for flood damage to ~~insure~~ building and building contents ~~for the peril of flood~~ for locations within the Special Flood Hazard Area, areas of 100 year flooding as defined by the Federal Emergency Management Agency.

PROPERTY PROGRAM EXCEPTIONS

There is a program exception for named storms which is defined as a storm system that has been declared a hurricane, typhoon, tropical cyclone or tropical storm by the National Hurricane Center of the National Oceanic and Atmospheric Administration’s National Weather Service. This exception applies to the peril of windstorm and flood resulting from a Named Storm for any covered property in Atlantic, Ocean, Monmouth and Burlington Counties East of the Garden State Parkway and for all covered property in Cape May County.

The MEL does not provide coverage for the perils of flood and windstorm for named storm at the above locations. Zurich American provides named storm coverage up to the policy per occurrence limit of \$125,000,000 subject to a deductible. This deductible requires all member entities of each MEL member located in the locations noted above to retain 1% of the total insurable values of all covered locations (excluding automobiles) reporting loss of damage, subject to a \$250,000 minimum per occurrence deductible and a \$1,000,000 maximum per occurrence deductible.

Based on this exception each JIF may determine the extent of coverage for the Named Storm within its funding level . The Atlantic, Burlington, Central, Mid New Jersey, Monmouth, New Jersey Public Housing Authority and Ocean JIFs participate in a program to share the first \$50,000 of loss less an entity member deductible of \$5,000. These JIFs also agree to share in any ~~share in any~~ loss excess of \$250,000 up to a maximum deductible of \$1,000,000.

Neither the member JIF nor the MEL provide boiler and machinery coverage. Coverage for boiler and machinery is provided by Zurich American at a sub-limit of \$125,000,000 excess of the \$5,000 member entity deductible. The sub-limit is on a per accident basis and is reinstated after every accident.

WORKERS COMPENSATION

Workers compensation coverage is provided as follows:

Ocean County JIF	Limit
Workers Compensation	\$300,000
Employers Liability	\$300,000
Municipal Excess Liability JIF	
Workers Compensation	\$1,700,000 excess \$300,000
Employers Liability	\$1,700,000 excess \$300,000
Safety National (Rated A+ AMBest)	
Workers Compensation	Statutory Limits excess \$2,000,000
Employers Liability	\$5,000,000 excess \$2,000,000

GENERAL LIABILITY

General liability includes general liability, auto liability, law enforcement professional liability and employee benefits liability.

The JIF provides coverage for General Liability which includes Commercial General Liability and Law Enforcement Professional Liability for \$300,000 CSL. The MEL Provides excess insurance coverage for general liability as follows:

\$1,450,000 excess \$300,000 CSL per occurrence

\$3,250,000 excess of \$1,750,000 per occurrence and in the aggregate

In addition member towns may purchase coverage in excess of \$5,000,000 per occurrence and in the aggregate (business auto is unaggregated). Member entities in the Ocean County JIF purchased optional coverage ranging from \$0 to \$15,000,000.

It is noted that for coverage in excess of \$1,750,000 the MEL has purchased reinsurance from A+ rated carriers.

The JIF provides underinsured/uninsured motorist liability for \$15,000/\$30,000/\$5,000 and Personal Injury Protection Coverage of \$250,000.

PUBLIC OFFICIALS/EMPLOYMENT PRACTICES LIABILITY

Coverage for Public Official and Employment Practices Liability is provided by Indian Harbor Insurance Company. Indian Harbor Insurance Company is an eligible surplus lines writer in New Jersey and is a member of the XL Group which is A rated by AM Best.

The coverage provided is for \$2,000,000 in the aggregate on a claims made basis per member municipality for each fund year.

For the Public Officials Liability Coverage there is a \$20,000 deductible per occurrence except that a \$75,000 deductible per occurrence applies for local units with unfavorable loss experience. The same deductible applies for Employment Practices Liability Coverage for member entities which have an approved EPL Loss Control/Risk Management Program. There is also a 20% co-insurance of the first \$250,000 of loss.

For member entities without an approved EPL Loss Control/Risk Management Programs for Employment Practices Liability Coverage there is a \$100,000 deductible per occurrence and a \$150,000 deductible per occurrence of member entities with unfavorable loss experience.

Individual member entities can purchase additional coverage in excess of the \$2,000,000 limit from the MEL. Members entities in the Ocean County JIF purchased additional coverage ranging from \$0 to \$8,000,000. The MEL has reinsured this coverage with A+ rated reinsurers.

OPTIONAL DIRECTORS AND OFFICERS LIABILITY

The JIF provides to its members the option to purchase Directors and Officers Liability Coverage for Fire Companies and Emergency Service Units. The coverage is for a \$1,000,000 to \$2,000,000 annual aggregate and the policy is issued by Indian Harbor Insurance Company. There are optional deductibles of \$1,000, \$2,000 or \$5,000.

BLANKET CRIME

The JIF provides blanket crime coverage to \$50,000 less a member entity deductible of \$2,500. The MEL provides \$1,000,000 in coverage less the member JIF's retention coverage of \$50,000. The coverages insured by this policy are forgery or alteration, theft, disappearance, destruction, robbery and safe burglary, computer fraud and public employee dishonesty

EXCESS PUBLIC OFFICIALS BOND

The MEL provides coverage for excess employee dishonesty and faithful performance coverage for those employed positions which are required by law to be individually bonded at limit of \$1,000,000 less a local member units' deductible. The deductible is the higher of the amount said persons are required by law to be individually bonded whether or not such bond is in place or the amount of the individual bond in place.

ENVIRONMENTAL IMPAIRMENT LIABILITY

Environmental Impairment Liability Coverage is by the New Jersey Municipal Impairment Risk Management Fund (EJIF).

The EJIF provides the following coverage to the JIF;

- Third party limit of liability for \$1,000,000 per loss per local unit and \$1,000,000 aggregate per local unit. This coverage is subject to the JIF annual aggregate limit as stated below
- First party limit of liability for \$50,000 per loss per local unit and a \$100,000 annual aggregate per local unit.

- Foreclosed property with a limit of liability for \$1,000,000 per loss per local unit and \$1,000,000 annual aggregate per local unit.
- Public Officials Liability with a \$1,000,000 per loss per local unit and a \$1,000,000 annual aggregate per local unit limit of liability subject to the JIF annual aggregate limit as stated below.
- De Minimus Abandoned Property with a limit of \$50,000 per local unit and subject to the JIF annual aggregate as stated below.
- Legal Services with a \$500,000 per loss per local unit and \$500,000 annual aggregate per local unit subject to the JIF annual aggregate limit as stated below.

There is a deductible of \$5,000 per loss and the JIF annual aggregate limit of liability is \$4,484,220.

UNDERGROUND STORAGE TANK

Coverage related to underground storage tanks is provided by EJIF to the following limits:

\$1,000,000 Each Incident
 \$1,000,000 Each Corrective Action
 \$1,000,000 Aggregate Limit
 \$100,000 Aggregate Defense Limit
 Deductible \$5,000 Each Incident

CYBER LIABILITY

Coverage for Cyber Liability is provided by XL Insurance. The policy provides for third party coverage including Communication, Network Security Liability and Privacy Liability. First Party protection includes Extortion Threat, Crisis Management Expenses and Privacy Notification Costs.

The limits of liability are \$1,000,000 per occurrence and \$3,000,000 aggregate with a \$10,000 deductible. The limits are JIF wide and shared among the local member units. The policy also contains a \$500,000 sub-limit each for the following:

- Privacy Notification Costs
- Regulatory Fines/Claims Expenses for Privacy Liability
- Extortion Damages for Extortion Threat
- Crisis Management Expenses

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Fund is required by N.J.S.A. 11:15-2.6 to maintain the following minimum insurance coverage:

1. A fidelity bond for all persons handling Fund assets
2. A surety bond for the claims administrator
3. Errors and omissions coverage for any servicing organization who negates excess insurance or reinsurance on behalf of the Fund.

A review indicated insurance coverages as required by contract and by statute were carried by Fund Professionals.

ACCOUNTS AND RECORDS

The record keeping of the Fund is comprised of three areas as follows:

1. PERMA handles all of the processing of the general ledger and the accounts payable functions. The system used to control these functions is the MAS 90 Accounting Software which is a product of State of the Art, Inc. This system produces a cumulative general ledger, whereby all of the activity in an account is recorded together with its current balance. The accounts payable function under this system produces a history of payments made to individual vendors with amounts outstanding.
2. The Treasurer of the Fund is responsible for the tracking of cash and investments. PERMA developed a tracking system for both of these areas and supplied it to the Treasurer to use. This system uses Microsoft Excel and allows for the tracking of both cash and investment activity.
3. The third party administrators are responsible for the tracking of all claim activity.

The accounting procedures are based on fund accounting, whereby; all financial activity is allocated to the fund year to which it relates.

Pursuant to N.J.S.A. 18A: 18B-1, N.J.A.C. 11:15-5.1 and the Fund's By-laws, an annual audit was performed by an independent certified public accounting firm Hutchins, Laezza, Farrell and Allison and an audited report was filed with the Commissioner of the Department of Banking and Insurance.

TREATMENT OF MEMBERS

The Fund records all complaints in the minutes under the correspondence section. The minutes include a copy of the written complaint and disposition thereof. In addition the TPA maintains a complaint register. During the review no unfair treatment of members was noted.

FINANCIAL STATEMENTS

Comparative Balance Sheet as of December 31, 2013 and 2012

Comparative Statement of Revenue, Expenses and Changes in Fund Equity as of
December 31, 2013 and 2012

EXHIBIT I

COMPARATIVE BALANCE SHEET
FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash & Cash Equivalents	\$ 6,465,977	\$ 7,556,076
Investments	21,112,993	18,159,030
Accrued Interest Receivable	42,183	39,879
Claims & Other Miscellaneous Receivables	804,685	964,569
Total Assets	<u>28,425,836</u>	<u>26,719,554</u>
<u>LIABILITIES</u>		
Accounts Payable	986,436	49,618
Other Liabilities	(1,537)	5,464
Unearned Contributions	7,606	-
Surplus Dividends Payable	612,129	644,796
Advance for Hurricane Sandy	1,644,596	-
Loss Reserves	16,360,978	17,763,836
Total Liabilities	<u>19,610,208</u>	<u>18,463,714</u>
<u>NET POSITION</u>		
Net Statutory Surplus - Unrestricted	8,815,628	8,255,840
Total Liabilities and Surplus	<u>\$ 28,425,836</u>	<u>\$ 26,719,554</u>

EXHIBIT II

COMPARATIVE STATUTORY INCOME STATEMENTS FOR YEARS ENDING DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUE</u>		
Assessments - Member Contributions	\$ 19,735,021	\$ 19,455,530
Total Operating Revenue	<u>19,735,021</u>	<u>19,455,530</u>
 <u>EXPENSES</u>		
Provision for Claims and Claim Adjustment Expense	7,803,030	9,810,017
Assessment for Participation in MEL RCF	2,390,033	1,793,221
Administrative & Executive	2,512,545	2,342,736
Excess Insurance Premiums	<u>5,540,361</u>	<u>5,598,123</u>
Total Expenses	18,245,969	19,544,098
Operating Income (Loss)	<u>1,489,052</u>	<u>(88,568)</u>
 <u>NON-OPERATING REVENUE/EXPENSE</u>		
Investment Income	43,225	268,111
Return of Surplus	<u>(972,489)</u>	<u>(900,000)</u>
Change in Net Position	<u>559,788</u>	<u>(720,457)</u>
 Net Position - Beginning of Year	 8,255,840	 8,976,297
Less: Distribution to Participating Members	<u>-</u>	<u>-</u>
Net Position - End of Year	<u>\$ 8,815,628</u>	<u>\$ 8,255,840</u>

LOSS RESERVES

The loss reserves reported by the Fund at December 31, 2013 were \$10,136,407 for case reserves and \$ 6,224,571 for IBNR reserves. A review by an actuary from the New Jersey Department of Banking and Insurance Indicated the reserves established by the Fund were reasonable.

Data supporting the Fund's actuarial calculation was reconciled to supporting records without exception. Samples of paid and outstanding losses were traced to claim files without exception.

Acknowledgement

The examination was completed at the office of the Fund's Executive Director, PERMA Risk Management Services (PERMA) 9 Campus Drive, Parsippany, New Jersey 07054. The courteous cooperation extended to the examiners by Fund Management is acknowledged.

Respectfully submitted,

A handwritten signature in cursive script that reads "Nancy Lee Chice".

Nancy Lee Chice, CFE
Insurance Examiner

OCEAN COUNTY MUNICIPAL JOINT INSURANCE FUND

I, Nancy Lee Chice, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject joint insurance fund as of December 31, 2013 to the best of my information, knowledge and belief.


Respectfully submitted,



Nancy Lee Chice CFE
Examiner-In-Charge
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this *4th* day of *November* 2015.


Notary Public of New Jersey

My commission expires: *July 2020*