

ATLANTIC COUNTY INSURANCE COMMISSION
OPEN MINUTES
SPECIAL BUDGET MEETING – December 1, 2015
Freeholders' Meeting Room
Stillwater Building
201 Shore Road
Northfield, New Jersey 08225
11:00 A.M.

Meeting was called to order by Commissioner Woods. Open Public Meetings notice read into record.

PLEDGE OF ALLEGIANCE

ROLL CALL OF COMMISSIONERS:

Jacqueline Woods Present
Tammi Robbins Present
Janette Kessler Present

FUND PROFESSIONALS PRESENT:

Executive Director PERMA Risk Management Services **Brad Stokes**

Claims Administrator Qual-Lynx
Kathy Kissane

Conner Strong & Buckelew
Danielle Batchelor

CEL Underwriting Manager Conner Strong & Buckelew

Attorney **James F. Ferguson**

Treasurer **Bonnie Lindaw**

Risk Management Consultant Insurance Agencies, Inc.
Michael Ridge
J. Eugene Siracusa

Glenn Insurance
Michael Thomas

ALSO PRESENT:

Joseph J. Giraldo, Atlantic County Improvement Authority
John Lamey, Atlantic County Improvement Authority
Rachel Chwastek, PERMA Risk Management Services
Chandra Anderson, Atlantic County

EXECUTIVE DIRECTOR'S REPORT:

Executive Director Brad Stokes presented the Executive Director's report. Options for the 2016 budget were presented in preparation for the meeting on December 11, 2015.

The first option matches the current program, and the average increase is 1.71% across the board. The actuary puts the claims and excess insurance at 2% across the board which is good news. Line #9 is the CELJIF, the excess level above us. The CEL goes through their process of dividing up their budget, paying the professionals and excess insurance they place; what drives this increase is the excess workers' compensation and property had a little bit of an increase; 2.8% on property and 5% on excess workers' comp for 2.99% increase. Line #12 is the total loss funds, an increase of \$144,353 and 2.17% increase overall. Line #14 starts expenses, fees and contingency and includes the fund professionals. Lines #20 and 21 are the actuary and auditor fees which were estimated last year. This year they came in a lot lower, and explains the significant decrease. Line #28 for total expenses reflects a decrease of 5.12%. Line #32 begins ancillary coverages where there were some minor changes. Line #41 is the CELJIF's purchase of \$10 million more in excess flood coverage and \$9,389 is our Commission's share of that coverage. Aviation coverage has also been added for possible drones and the like, \$1,977 is our Commission's share. Overall the proposed budget under this scenario is \$7,992,457 which results in a 1.71% increase. The individual assessments are on the next page. There are some variations as there were properties added and removed for the member entities. Atlantic County will have a 1.71% increase, ACUA will have a 1.65% increase, and the ACIA will have a 2.49% increase because of the properties they added.

The second option includes reducing the County's auto physical property damage to \$5,000. This would only affect the County proper and cost an additional 25% (\$42,000). This would bring the County down to the same level as the other members. There is a proposal from Qual-Lynx to administer that for an additional \$6,000. The total cost for this change for the County would be approximately \$48,000. Mr. Stokes noted he also got a price for \$10,000 deductible, but did not prepare a variation for that. It would have added another \$37,000 vs. the \$42,000, so it's only \$5,000 difference. He recommends proceeding with the lower deductible of \$5,000. Commissioner Woods asked whether we've received any additional information on loose equipment. Kathy Kissane advised the individuals who can provide that information were in a training meeting and she was following up with them. Ms. Kissane noted that it depends on how the policy was drafted. An example given is that a vehicle catches on fire and is totaled, so what is covered, AED's, K-9, laptops? Overall the proposed budget under this scenario is \$8,034,986 which results in a 2.25% increase. This does not affect the other member entities, only the County proper if they decide to choose this option.

The third option includes the County at the current \$100,000 SIR for auto physical property damage and a 2% increase for professionals' fees. Line #4, the managed care piece, is included with the workers' compensation numbers. It reflects a 2.08% increase and includes a 2% increase for Qual-Lynx. Other professionals are claims adjustment which is PERMA, Treasurer, Secretary and the Risk Managers. The total is an overall increase of \$8,008,887 or 1.92% vs. the first option of 1.71% increase. The individual increases for the professionals are for the Risk Managers \$4,000, PERMA \$2,400, claims for Qual-Lynx \$5,600, and Managed Care is \$3,800. This is a decision the Commissioners will need to make.

The fourth option includes the County reducing the SIR for auto physical property damage to \$5,000 (which does not affect the other member entities) and a 2% increase for professionals' fees. This version has a total proposed budget of \$8,051,416 or 2.46% increase.

The County has been reviewing their property values which may affect their numbers at some point, but would not affect the other member entities.

Mike Thomas asked what some of the other counties have for their auto physical damage deductible. Mr. Stokes advised that the ACUA and ACIA have \$5,000, Camden County has \$5,000 and most other counties also have \$5,000. Some authorities are at \$25,000, but they have very few vehicles. Mike Thomas stated the County is at \$100,000 for auto physical damage, and is basically a total pay on every claim. The losses supplied by Qual-Lynx were not high and there was not a lot of activity. Mike Thomas pointed out that the County is going to take a hit with the property increase, and they are also considering purchasing the Cyber liability coverage. Mike Thomas requested to see numbers for all three versions (reducing the SIR, property increase, and cyber liability coverage). Jim Ferguson noted that with the County at \$100,000 SIR all claims received are paid in full by the County, so it makes sense to buy down the deductible to \$5,000 for the extra amount. Bonnie Lindaw asked how many times have there been claims over \$5,000. Mr. Stokes did not have the loss runs at this meeting, but thought there were around 10 claims. He noted he would send her the loss runs that were submitted by the County. Kathy Kissane noted that even with the claims well below \$100,000, Qual-Lynx has been pursuing subrogation on those claims where other vehicles were at fault in order to recover the County's money. She noted this will offset the cost if they are able to recover some of the money paid out. They cannot pursue subrogation when two entity owned vehicles back into each other.

Kathy Kissane advised she received a response from her property team. If the equipment is in the vehicle and damaged as a result of an automobile accident, typically, unless the policy language states otherwise, it would be covered and paid through the auto physical loss. Commissioner Woods asked whether this means we would need coverage on equipment separately if the equipment is covered under the auto physical damage coverage. Mr. Stokes explained that the equipment would only be covered if the equipment was in an auto and an auto accident was involved. If someone just drops a laptop that wouldn't be covered under auto physical damage. Mike Thomas requested that to be confirmed. The Risk Managers noted that the cost for the County lowering their \$100,000 deductible to \$5,000 would be approximately \$80 per car ($\$46,000 \div 600$ vehicles) and this seems to be a cost effective way to proceed.

Bonnie Lindaw asked about the actuary report supporting a 2% increase on the claims and whether that report has been released. Mr. Stokes advised the actuary sends the dollar amounts and percent increase in a one page format. He noted the latest reports can be sent to her for review. Ms. Lindaw also asked whether there was room in the budget to reduce the amount of miscellaneous expense contingency. Mr. Stokes will run a report and see how much was spent. Ms. Lindaw noted that even if it's a small amount it may be an area that can be cut.

Mr. Stokes suggested that since the Commissioners were together perhaps they should discuss the 2% increase for the professionals in closed session. Commissioner Kessler moved for a closed session to discuss the professionals increase. The Commissioners then left the meeting room for closed session in another separate meeting room.

MOTION TO RETURN TO OPEN SESSION.

Motion: Commissioner Kessler
Second: Commissioner Robbins
Vote: 3 Ayes, 0 Nays

Mr. Stokes noted the Commissioners recessed to discuss potential increase for the professional fees. The decision can be put on the record now or it can be emailed to him on a later date. Commissioner Woods indicated an email would be sent.

Another area to discuss is the POL/EPLI claims which are tied into the budget numbers. The member deductible is \$100,000. Some of the other Commissions have hired their TPA to monitor these claims. When bills come in on these claims before the deductible is met, they have to be paid. What process does the Commission want to use in order to pay the bills received prior to the deductible being met? Commissioner Kessler pointed out that the ACUA has a deductible of \$35,000 not \$100,000. Mr. Stokes noted that either the member entity can track the claims and report them to AIG, or they can hire the TPA to track the claims and report them. He wants to know who would monitor the claims prior to meeting the deductible; someone in house or a TPA. Commissioner Kessler asked what type of monitoring he is referring to. Mr. Stokes noted that legal bills or expert fees would need to be paid. Commissioner Kessler stated that she thought the claims were handled the same way as general liability claims. Ms. Kissane advised that claims with a deductible are handled differently. Mr. Stokes explained that the ACUA deductible is \$35,000; therefore, the ACUA is responsible for everything up to \$35,000. So who is paying in the meantime? Mr. Ferguson asked whether the legal fees and expert fees were counted against the deductible, as sometimes they are outside of the deductible, depending on how the policy is written. Commissioner Kessler advised that those fees are included in the deductible. Mr. Stokes advised that a situation arose in another Commission where the TPA made payment on a legal bill prior to the deductible being met and they had to go back to the County and ask for reimbursement. He wants to avoid that situation developing here. Mike Thomas asked whether the deductible and the retention are handled the same way. Ms. Kissane advised that it depends on how they are set up. She also noted that typically on a deductible they do not pay anything until the deductible is met. Ancillary coverages do not go through Qual-Lynx. It really depends on how the program is established. The Commissioners decided they would confer on how best to proceed.

Ms. Lindaw asked how you would know you have a claim that will remain below the deductible until it's finalized. The answer was you would not. It would have to go to the TPA initially. Brad pointed out that the problem that needs to be addressed is where are the initial payments coming from. Commissioner Kessler clarified with an example that a legal bill for \$10,000 is received on a claim which has not met its deductible. How is that bill paid? Ms. Kissane advised that with a \$35,000 or \$100,000 deductible they would not be paying anything on that because the Commission doesn't kick in until the deductible is met. What happens with those legal bills? Commissioner Kessler stated that since the current subject involved an ACUA claim, she would have preferred to have been contacted before this meeting so the situation could have been addressed at an earlier date. Ms. Kissane noted this claim is the first one under the Commission so the procedure wasn't put into place yet, and they are looking for direction on how to proceed when the bills do start coming in. Commissioner Kessler stated that the matter needs to be addressed between the Commissioners and the Commission attorney in order to come up with the plan that will work for all member entities.

Bonnie Lindaw asked whether there would be an additional fee charged by Qual-Lynx to process the payments and monitor the claims. Mr. Stokes advised there would probably be a fee associated with this. Commissioner Kessler asked Ms. Kissane whether the contract Qual-Lynx has with the Commission was exclusive to general liability, workers comp and auto. Ms. Kissane advised it is and noted the coverage (POL/EPLI) was described as an ancillary coverage. She said Qual-Lynx would be amenable to a per claim fee, but would be subject to discussion with her boss. She will prepare a per claim fee proposal.

Jim Ferguson advised Mr. Stokes that Atlantic County would get back to him with regard to the property values and how they would like to move forward. Mr. Stokes reminded him the sooner the better so he can adjust the budget numbers accordingly.

OLD BUSINESS: None.

NEW BUSINESS: None.

PUBLIC COMMENT: None.

MOTION TO ADJOURN THE MEETING.

Motion: Commissioner Robbins
Second: Commissioner Kessler
Vote: 3 Ayes, 0 Nays

MEETING ADJOURNED: 11:43 A.M.

Minutes prepared by: Chandra Anderson, Secretary