2. About NJSBAIG:

A. History

HISTORY

The terminology pooling and joint insurance[1] fund (JIF) are synonymous. The New Jersey School Boards Association Insurance Group's (NJSBAIG) purpose is to facilitate the mechanism that allows public schools to share risk. This pooling mechanism is in lieu of traditional insurance.

NJSBAIG was organized in 1983 as a not for profit, public entity risk sharing pool (JIF). Before the existence of NJSBAIG the commercial insurance industry was the only option available for public school districts.

There are two market cycles that affect the property/casualty insurance industry:

- Hard Market   Premiums are increasing and capacity is tight.
- Soft Market   Premiums are competitive and capacity/limits are available.

NJSBAIG was established during the hard market cycle of the early 1980's. Joint insurance funds (JIF) did not exist in N.J. and districts could not, for any price; procure commercial insurance protection for their schools.

Early 1980's

Pooling risk for public entities became legal in the early 1980's when school districts around the state found themselves being cancelled, having coverage limits significantly reduced and at the same time their premiums were skyrocketing. The commercial insurance industry was in the middle of one of the worst hard markets in its history. The crisis killed budget stability and coverage adequacy. School boards in N.J. needed relief and the members of the New Jersey School Boards Association lobbied for a new law that would allow for joint insurance funds to form. Once passed by the legislature the Department of Banking and Insurance (DOBI) promulgated regulations and pooling for public schools became a reality.

[1] The word insurance is used throughout this orientation. The NJSBAIG is not an insurance company. It is a risk sharing mechanism that acts like an insurance company but each member is sharing risk with all the other members. In an insurance company each insured's risk is treated separately. In NJSBAIG each member is proportionately responsible for the risk of all the other members. The pool transfers its risk by buying reinsurance or excess insurance over the Pool's self insured retention.

1983

NJSBAIG was the first school pool to form as a result of the new law. The Group formed in 1983, under the enabling legislation *P.L. 1983 chapter 108* and N.J.S.A. 40A:10-36 ET. seq. for the purpose of providing only workers' compensation insurance to New Jersey's public schools. NJSBAIG began operations with six districts as our founding members.

Marsh & McLennan was contracted to become NJSBAIG's reinsurance broker, claims handler, accounting and marketing arm. Total premium in this year was $413,026.

By having numerous similar entities pool their insurance needs and buying power, pooling became a highly competitive alternative to conventional commercial insurance. Other school pools would form in the years following. These other pools and the commercial insurance market compete with the Group.

1985

By 1985 NJSBAIG began offering a full line of property and casualty[2] insurance. Applications for membership are accepted either directly from a school district or from agents and brokers. Premiums grow to $1,825,064.

1987-1990

By 1987 NJSBAIG is in a perpetual growth pattern and is at 176 members with more than $9 million in written premium. A Loss Control and Member Services department is established to attract new members and furnish risk management services to our growing number of insured's.

In 1988 an Executive Director was hired in the person of Alan Thornton and our offices moved to Pennington N.J. Our present offices are located at 450 Veterans Drive in Burlington, N.J. where we have resided since 1995.

Errors & Omissions coverage was added on our list of product offerings.

Just as things were progressing smoothly the insurance industry entered into a soft market. Additional underwriting capacity was now available as insurance companies have earned significant gains in the flourishing stock market. (Unlike a commercial insurer public entity pools may not utilize investment income in rate setting. Investments are restricted by regulations).

[2] Casualty refers to liability lines of coverage. In 1985 NJSBAIG members began sharing their general liability, auto liability and property risks as well as workers' compensation.

1991-1997

During these years NJSBAIG struggled to maintain its membership. NJSBAIG members were actively being recruited by an aggressively priced commercial market. By the end of 1997 we begin to see our first decline in membership. In this year a revision to the by-laws takes place, allowing for the formation of sub groups (funds), and a reorganization of the makeup of our Board of Trustees. Sub funds would allow for the regionalization of NJSBAIG's statewide membership and once implemented would play a critical role in the rebirth of our organization.

In 1991 the first claims manager was hired and the claims third party administrator contract was terminated. NJSBAIG became the first joint insurance fund in N.J. to approve managed care for workers compensation claims ultimately saving our members significant dollars in medical costs.

Information technology began to play a significant role in doing business in these years and the foundation for an Information Technology Department was established. At this time our first full time accountant was also brought on board.

1998

By 1998 membership had declined to 91, from a previous high of 197. Broker relationships had ceased to exist as the organization was directly marketing to prospective member districts and NJSBAIG is viewed as a broker resistant carrier and direct writer. This perception by the broker community caused potential members to be steered to other carriers.

The market had softened and NJSBAIG cannot compete without broker involvement and premiums decline. NJSBAIG preaches "rate stability" in an attempt to convince school districts not to leave the Group on price alone.

The commercial insurance industry makes the same mistakes it has made several times previously. It will reduce prices below what is required to pay claims. This will ultimately cause financial problems for those carriers. They will stop writing certain risks (public school districts) or begin raising rates in a manner which makes budget stability impossible.

In past years the marketing force of the local agent was not utilized to its fullest advantage. In this year NJSBAIG evaluates its business model and begins to embrace the broker community. The Member Services Department is expanded and the Group launches its very first sub fund, the Monmouth Ocean Counties Shared Services Insurance Fund (M.O.C.S.S.I.F.) under the administration of the Boynton & Boynton Insurance Agency.

A promise of a brighter future begins to take hold.

2000

NJSBAIG had now added three more sub funds; North Jersey Educational Insurance Fund (N.J.E.I.F.) which included school districts in Hudson, Bergen and Essex Counties and Educational Risk & Insurance Consortium (E.R.I.C.) North and South. North encompassed Somerset, Mercer, Middlesex, Union counties. South encompassed Gloucester, Salem and Cumberland county schools. Administrators of these three funds were the R.A.M., GR Murray and Porch Agencies respectively.

Total NJSBAIG membership jumps to 145 districts.

Reinsurance, accounting and underwriting services are switched to Willis Pooling from Marsh.

2002

With the sub fund concept maturing and regional meetings being held on a regular basis the position of sub fund liaison was created. The sub fund liaison's position is filled by a member district business administrator whose responsibility at the district level is that of a risk manager. The purpose of the sub fund liaison is to represent their sub fund at our Board of Trustee meetings providing an information exchange between the sub fund advisory board and the NJSBAIG Board of Trustees.

E.R.I.C. West sub fund is formed encompassing Sussex, Morris, Warren, Passaic and Hunterdon counties. Agency administrator at this time is Bowers, Schumann & Welch.

2003

Burlington & Camden County Educators Insurance Consortium (B.A.C.C.E.I.C.) is formed encompassing Burlington and Camden counties. Agency administrator at this time is Connor Strong.

Supplemental Indemnity coverage is added to the NJSBAIG product offerings. The Group retains no risk with these coverages.

2004-2006

Cape May & Atlantic Insurance Pool (C.A.I.P.) is formed encompassing Cape May and Atlantic Counties. Agency administrator is the J. Byrne Agency.

Property terrorism and student accident coverage is added to the NJSBAIG product offerings. The Group retains no risk with these coverages.

2008

By this year NJSBAIG is in full fiscal health and membership continues to grow. Underwriting and accounting are moved in-house from Willis and NJSBAIG declares its first $3 million ***Safety Grant*** based on 2007/2008 financials. 85% of NJSBAIG's members are participating in sub funds and now commit to our insurance program for a 3 year term. This practice keeps NJSBAIG's premiums and membership stable.

NJSBAIG's first full time director, Alan Thornton, retires and Marty Kalbach is promoted to the position.

2009

Based on the 6/30/09 actuary projections and financial audit the 08/09 fund year member equity/surplus is $13.1 million. All time member equity/surplus goes up to $49 million. NJSBAIG Board of Trustees announce to our 367 members available ***Safety Grant*** funding in the amount of $5 million. In the tumultuous economic climate school districts face, this funding results in positive public/media relations for the Group.

2010

For the third consecutive year (based on the 6/30/10 financials) NJSBAIG announces a ***Safety Grant***. In this year we award $4 million in funding to districts for safety related purchases.

New Jersey School Boards Association (NJSBA) explores the idea of membership contingency between our organizations based upon proposed legislation to remove mandatory dues requirements. This idea is met with NJSBAIG member resistance and eventually dropped.

In this year discussions begin regarding a change in the NJSBAIG By-Laws. As part of this review consideration is given to the method of Trustee nominations, method of choosing the NJSBAIG Trustee Chair and changing the Group name. The consideration of changing the Group's name is an effort to further differentiate the NJSBAIG and the NJSBA.

Membership is at its highest point of 377 with 8.9 million in income and $58 million in member equity/surplus.

2011

For the fourth consecutive year (based on the 6/30/11 financials) NJSBAIG announces a $4 million ***Safety Grant***.

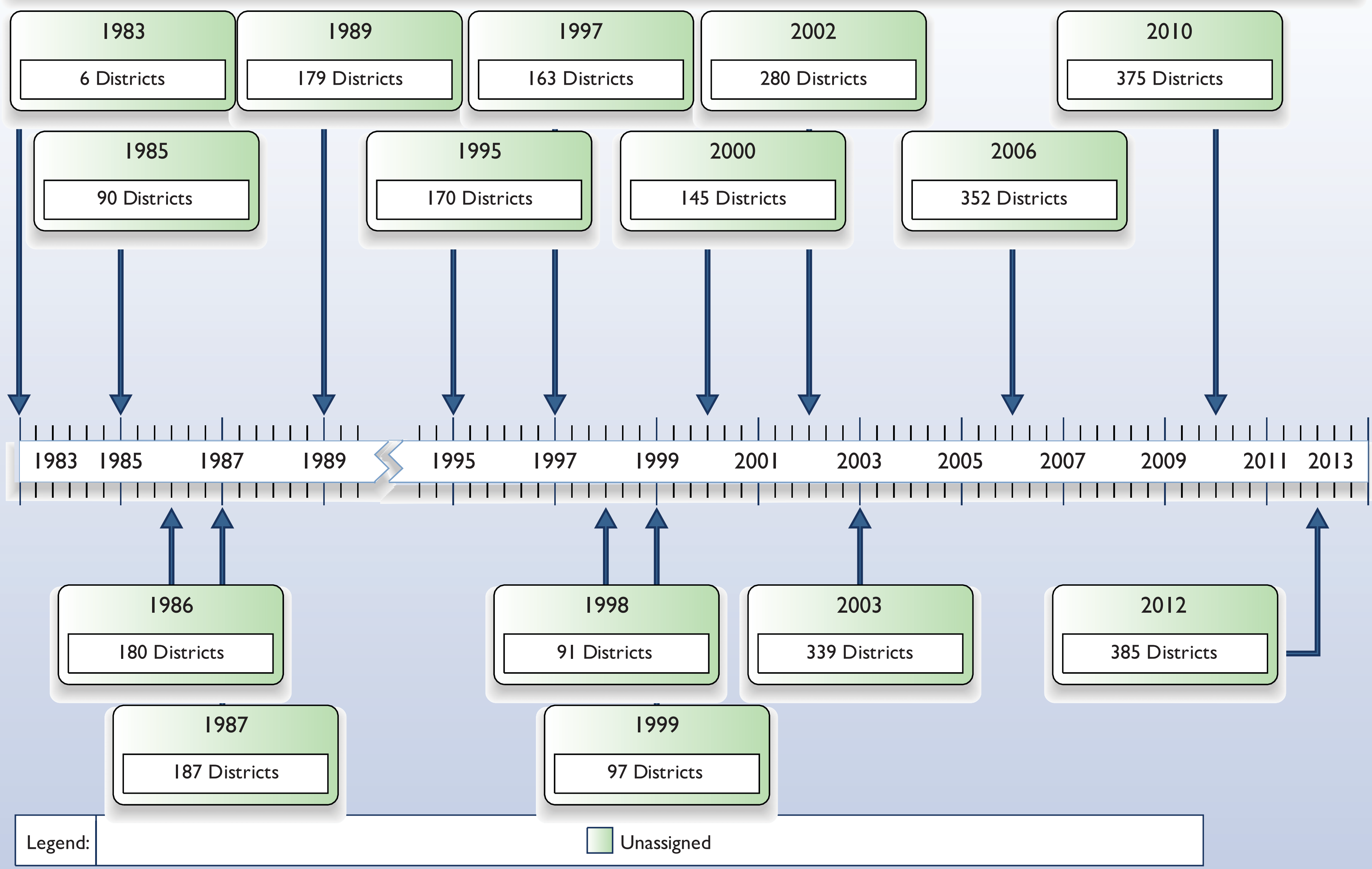
NJSBAIG bylaw changes are approved by the Group Trustees. Approval by 75% of the members is required prior to getting the Department of Banking and Insurance (DOBI) approval. The membership vote to approve the bylaw changes falls beneath the required 75%. The bylaws remain unchanged.

Member equity/surplus increases to $62.8 million based on the 6/30/11 financial audit.

2012

Based on the 6/30/12 financial audit there was a slight loss in underwriting (-$187,138). The overall financials for the Group were positive as the investment income ($1.5 million) pushed the financial results to a positive. This was the first year since 2000 where Group membership was flat. Keeping with policy, a safety grant was not awarded due to the lack of an underwriting surplus. Member equity/surplus increases to $64 million based on the 6/30/12 financial audit.

MEMBERSHIP GROWTH



Created with Timeline Maker Professional. Produced on Sep 21 2012.