



New Jersey Schools Insurance Group

450 Veterans Drive
Burlington, New Jersey 08016
(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of May 20, 2015 Board of Trustees Meeting Minutes of March 25, 2015

New Jersey Schools Insurance Group's Board of Trustees Meeting of March 25, 2015 at the Forsgate Country Club, Monroe Township, NJ.

ATTENDEES

Trustees: Mark Finkelstein, William Herman, Irene Le Febvre, Eva M. Nagy, Steven Robinson, Anthony Tonzini and Anthony Trongone

Participants: Susan Hodges representing *Archer & Greiner*, Mary Jane Canose, *Liaison* representing *ERIC West*, Frank Domin, *Liaison* representing *BACCEIC*, Bernardo Giuliana, *Liaison* representing *ERIC North*.

NJSIG

Staff: William Mayo, *Executive Director*; Michele Carosi, *Comptroller*; Lisa White, *Member Services Manager*, Anthony Jones, *Loss Control Manager*, Mike Cox, *Assistant Claim Manager*; Jeffrey Cook, *Information Systems Manager*, Kelly Machu, *Underwriting Manager* and Renee Johnson-Payne, *Administrative Assistant*.

ITEM #1 CALL TO ORDER

With a quorum present, the meeting was called to order at 4:05 p.m.

In accordance with the Sunshine Law, due notice of all pending meetings was given to the *Atlantic City Press*, *Newark Star Ledger*, and *Trenton Times* on February 6, 2015. Copies of these notices are on file with the New Jersey Secretary of State.

ITEM #2 ROLL CALL

Mark Finkelstein	√	Christopher Russo	√
William Herman	√	Jeffrey Rutzky	A
Irene Le Febvre	√	Anthony Tonzini, Jr.	√
Eva M. Nagy	√	Anthony Trongone	√
Steven Robinson	√		



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ITEM #3 RECOGNITION OF EVA M. NAGY'S NJSIG TRUSTEE SERVICE

Action Taken: M (Russo)\ S (Trongone)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) WHEREAS, Eva M. Nagy served as a member of the New Jersey Schools Insurance Group Board of Trustees from April 2009 through March 2015; and,

WHEREAS, during those 6 years, Eva M. Nagy's dedication has impacted the growth and future of the NJSIG and helped provide the best possible service to School Districts throughout New Jersey; and,

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees hereby expresses its appreciation for Eva M. Nagy's time, talent and service to the New Jersey Schools Insurance Group and members.

Trustee Nagy gave a heartfelt speech of thanks, appreciation and wisdom to the Group and Board of Trustees.

ITEM #4 NEW TRUSTEE NOMINATION

The New Trustee Nomination was tabled until the May 20, 2015 Board of Trustees meeting.

ITEM #5 ACCEPTANCES OF THE PUBLIC AND EXECUTIVE SESSION MINUTES OF FEBRUARY 3, 2015 AND FEBRUARY 25, 2015.

Action Taken: M (Nagy)\ S (Le Febvre)\ Abstention (Herman) Carried (Affirmative Votes = Finkelstein, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to accept the February 3, 2015 and February 25, 2015 Public and Executive Session Board of Trustees Meeting Minutes.

ITEM # 6 PUBLIC PARTICIPATION

Action Taken: M (Le Febvre)\ S (Trongone)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to open the public session for public participation.



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Action Taken: M (Le Febvre)\ S (Russo)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to close the public session for public participation.

ITEM #7 SUB FUND LIAISONS - REPORTS/COMMENTS

Ms. Canose, ERIC West Liaison, reported their next meeting will occur May 15, 2015 and the focus will be workers' compensation.

ITEM #8 REPORTS

The Executive Director, William. Mayo reported that credit cards should not be used by the Group. Both credit cards held by Mr. Mayo and Lisa White have been turned in and cancelled. With the Board's approval, Mr. Mayo will secure a credit card to conduct business. He will turn in the expenses through the normal protocols.

He also reported there will be an instructional broker meeting on April 22, 2015 at the National Conference Center, East Windsor, NJ.

Lastly, he reported on the new facilities sites options. He proposed leasing class A office space in Mt. Laurel, NJ and a disaster recovery site in Marlboro, NJ to suit the needs of the Group.

A lengthy discussion ensued and the conclusion was to move forward with the relocation plans to Mt. Laurel, NJ.

Lisa White, Member Services Manager, reported that 78 notices to leave the Group have been received.

ITEM #9 DISCUSSION ITEM:

A. Proposed NJSIG 2015/2016 Meeting Dates

There was no discussion on meeting dates.



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ITEM #10 ACTION ITEM:

A. Reinsurance

Mr. Ritch presented the 2015/2016 reinsurance proposals for each line of coverage.

1. Property

Recommend approval of the proposed property program at the \$350 million limit for no more than 10% over last year at \$9,163,337.

2. Equipment Breakdown

Last year we were able to get a 12 % reduction in our rates. While HSB would like to have had an increase this year, we negotiated a flat renewal.

Recommend approval for the HSB at no change in rates.

3. Property Terrorism

For the current year, we purchase \$100,000,000 through Lloyd's. We had a rate of .001053. For the renewal, we have been offered .001. This is a 5% decrease. As this line is placed with Lloyd's, it is placed through Willis Global Placement at 12% brokerage.

Recommend approval of the program at the lower rate that was offered.

4. Workers' Compensation

For the 15-16 year they have proposed a rate of .023175 at the current \$1,000,000 retention.

Recommend approval of the Safety National proposal at current retention.

5. Workers' Compensation Supplemental Indemnity

For the 15-16 year they have proposed flat rates.

Recommend approval of Chubb Insurance Company.



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6. Primary General Liability

For the current year Munich Re America provides \$500,000 excess of \$500,000 for a per student rate of \$1.78. This year they have proposed a 2.1% increase to \$1.817. The Group's actuaries have reviewed this and agree that it is line with the Group current experience.

Recommend approval of the proposed rate.

7. Primary Auto Liability

For the current year, Munich Re America provides \$500,000 excess of \$500,000 for a rate of \$199 per vehicle and hired and non owned coverage for \$300. For the upcoming year they have proposed \$202.72 per auto for a 2.1% increase. The Group's actuaries concur that this is warranted.

Recommend approval of the proposed rates.

8. Crime

For the 15-16 year, Great American has agreed to a flat rate for the renewal.

Recommend approval of Great American's proposal.

9. Excess Liability

For the \$5 million excess of \$26 million, Markel has proposed a flat renewal rate.

Recommend approval of the Munich/Torus/Markel proposal.

10. School Leaders Errors and Omissions

As we have discussed in previous years, this line of business has been performing poorly in both frequency and severity. Our annual increases of 15% have not been able to keep pace with the loss development. Not including the current year, the last five years have produced \$28.3 million in premium. Using conservative loss development factors the ultimate losses on the program are projected in the \$44 million range. It is estimated that XL will lose \$10 to \$15 million.



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There are very few markets that will allow us to use our own policy forms and handle claims reporting. At these loss levels, our options are even more limited. The Group's actuaries have consistently stated that for the Group to self-insure this line of business, it would require a rate increase in the 70% range. Working with our wholesaler Apex, who has more of this business than anyone in the country, we have developed an alternative with the QBE insurance company. It will however, be at a much larger increase than we have been used to. We will be finalizing terms this next week, but we are confident that we can move the program for no more than \$12.5 million. It looks preliminarily that it would come in at the \$12.1 million range which is over a 30% increase.

The E&O line of business runs about 15% of a total members insurance contributions, so it is felt that this increase, offset to some degree by other lines, will moderate the overall increase.

Recommend approval of program from QBE/APEX at no more than \$12.5 million.

11. School Violent Acts Insurance

For the 15-16 year, we propose the AIG program at slightly below the .20 rate.

Recommend approval of AIG proposal.

12. Environmental Program

For the 15-16 year, Zurich has proposed coverage for Microbial Substances only for Bodily Injury and Property Damage, subject to a \$100,000 deductible at a \$500,000 limit. Cleanup costs/remediation from a Microbial Substance is excluded.

Recommend approval for proposed program at flat rates

13. Cyber Liability Program

This is a new line of coverage that was placed for this year. We have received a proposal to continue at the existing rates.

Recommend approval for proposed program not to exceed \$350,000.



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Action Taken: M (Le Febvre)\ S (Russo)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to approve the reinsurance pricing for coverage for the 2015/2016 fund year as per the Willis proposals presented at the March 25, 2015 meeting.

B. Checking Accounts and New Claims Ratification

Action Taken: M (Nagy)\ S (Trongone)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to approve and ratify the checks and new claims which have been issued from accounts XXXX392 (operating account) and XXXX555 (claim account) for the period of 1/1/2015 to 2/28/2015.

C. Professional Services:

1. Financial Auditor Contract - Nisivoccia, LLP

Action Taken: M (Tonzini)\ S (Trongone)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to approve the Nisivoccia, LLP engagement letter dated February 16, 2015.

2. Actuary Consulting Services and Contract – Towers Watson

Action Taken: M (Russo)\ S (Robinson)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to approve Towers Watson as the NJSIG actuary of record.

D. Software Licensing

1. NJSBA Schoolboardnet Services Contract

Action Taken: M (LeFebvre)\ S (Tonzini)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to approve the Schoolboardnet contract which is dated March 3, 2015.

ITEM #11 NEW BUSINESS

A suggestion was made to develop a policy for choosing new Trustees.



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ITEM #12 EXECUTIVE SESSION

EXECUTIVE SESSION

EXECUTIVE SESSION RESOLUTION

WHEREAS, N.J.S.A. 10:4-6 et. seq., (“the Open Public Meetings Act”), authorizes public entities to meet in executive session under certain circumstances; and

WHEREAS, the Open Public Meetings Act requires that the Group adopt a resolution at a public meeting to go into private session; now, therefore,

BE IT RESOLVED by the Board of Trustees of the New Jersey Schools Insurance Group, that it is necessary to meet in executive session to discuss certain items involving:

- 12A. Litigation Updates;
 - 12A1. 12EO00894S - Cardillo vs Belleville
 - 12A2. 07WC04325P - Charlotte Ann Bailey vs. Camden County Technical Schools
- 12B. Matters involving attorney client privilege regarding personnel;
- 12C. Matters involving attorney client privilege regarding procedural audit;

FURTHER RESOLVED that the Board of Trustees will not return to open session to conduct business at the conclusion of the executive session.

Action Taken: M (Le Febvre)\ S (Trongone)\ Carried (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) to close open session at 5:06 p.m. and move to executive session.

Motion to Adjourn M (Nagy) \ S (Le Febvre)\ C (Affirmative Votes = Finkelstein, Herman, Le Febvre, Nagy, Robinson, Russo, Tonzini Trongone) 8:15 p.m.

William Mayo

William M. Mayo, CPCU, ARM
Executive Director