



1-888-NJ Pool 1

New Jersey Schools Insurance Group

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Board of Trustees Meeting of May 17, 2017 Executive Director's Report

Congratulations to Trustee and Vice-Chair Chris Russo on being named New Jersey Business Administrator of the Year. This is certainly a well-deserved recognition, and NJSIG is fortunate to great leaders like Chris govern the organization.

Tonight you will consider the 2017-2018 budget. The main components of the budget are claims and claims expenses, reinsurance, and anticipated operating costs. Actuary Towers Watson provides estimated expected losses, the reinsurance component is now known with certainty, and the Finance Committee reviewed operating costs with management. The proposed budget is balanced. The budget is developed with input from each department manager. The budget includes provision to fill certain vacant positions, to add entry-level staff, and to make necessary promotional salary adjustments recommended by salary consultant Hay Group.

NJSBA will nominate a Southern Business Administrator Trustee after learning that proposed nominee Peter Lawlor will be unable to serve. Joe Meloche and Chris will meet with the nominee to discuss Board service for NJSIG. Filling this Trustee position brings the Board to full compliment.

I would like to recognize the efforts of NJSIG staff and management. Claim Manager, Tony Ruggeri has been serving as Claim Manger while still retaining most of the duties of his former job as Claim Supervisor. NJSIG is fortunate to welcome Sherwin Archibald as the new Claim Supervisor reporting to Tony. Jill Deitch and Stephen Tucker have worked tirelessly on RFPs, RFQs, policies & procedures and most recently on the proposed Plan of Risk Management. They have assumed oversight of the Human Resource function, completed the re-establishment of NJSIG's defense panel, and have arranged various compliance trainings for staff and management. NJSIG is a very different organization than it was two years ago thanks to their efforts. Underwriting Manager, Kelly Machu and her team are in the midst of a busy renewal process that includes an increased number of new business opportunities. The new business and certain renewals increase the inspection burdens for Tony Jones and the Safety and Risk Control Team. Tony is working closely with management to best transition Safety and Risk Control in anticipation of his retirement. We will certainly miss Tony, but he leaves a well-trained and capable staff to carry on the mission. I.T. Manager, Jeff Cook has worked closely with Comptroller, Michele Carosi on internal control improvements and the transition to Investors Bank from TD Bank. I.T. is also in the process of implementing a new claim system scheduled to go live on July 1st. I.T. and Accounting are partnering in an intensive training program to bring programming skills in-house for the PeopleSoft financial management system. It seems the entire staff has been working in overdrive for months, and it is important to recognize their significant efforts.



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I am sad to report the loss of two long-time staff Members. Marsha Temple, Senior Claims Representative and Catherine Evans, Underwriting Processor, succumbed to illness this Spring. Both loved and respected Members of the NJSIG team will be missed, and we are grateful for their service.

Over the past few years, NJSIG Members have sustained a small number of large losses for pollution incidents. In particular, polluted athletic fields claims have surfaced. The result is that claims costs are much higher than the premiums charged. After an extensive search in alternative markets, NJSIG is recommending renewing the incumbent carrier, Zurich, in spite of increased premiums and higher claim retentions. Zurich offers coverage for "existing pollution conditions" without a retroactive date. That means that there is no limitation of coverage for events that may have started years earlier. This is a unique and important coverage for Members. Zurich proposes raising the deductible from \$25,000 to \$250,000. Zurich has agreed to drop the deductible to \$100,000 per claim after NJSIG has incurred \$1 million in deductibles during the policy period. It is suggested that Member deductibles be held to \$100,000. NJSIG will absorb the next \$150,000 of the loss, subject to a maximum of \$600,000 for the year. Zurich also agrees to re-visit the retention level if warranted by NJSIG's loss experience in the future.

Respectfully Submitted,

William Mayo

William Mayo, CPCU, ARM
Executive Director