

New Jersey School Boards Association Insurance Group

Annual Claim Audit

June 8, 2015

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The Board of Directors

New Jersey School Board Association Insurance Group

450 Veterans Drive

Burlington, NJ. 08016

RE: Annual NJSBAIG Claim Review

Purpose: An on-line review was conducted of 195 files to evaluate the effectiveness of the claim unit in adherence to the Claim Administration Procedure Manual. The review is the second annual review done by this auditor. The review is limited to claims with loss dates on or after 5/1/14 or regardless of date of loss had activity documented in the STARS claim system on or after 5/1/14 and before 5/1/15.

Claim volume had dropped from 6810 on the prior review to 5815 for this review. Claims from Hurricane Sandy and claims from temporary or terminated adjusters were not part of the review. Claims were selected at random as follows:

Type of Claim	Number Audited
WC	144
GL	13
AL	15
EO	10
PROP	13

The current organization chart is attached as an exhibit. There are currently 2 vacancies on the organizational chart in the liability unit and one in the WC unit.

Workloads: The breakdown of claims handled by each unit is as follows:

Claim Assistant	Re-Open	Open	Final	Total
Holmes	4	154	561	719
Crews	4	165	541	710
Franklin	6	158	568	732
Hodge	4	155	559	718

The total volume is down about 100 claims for each assistant. There is one less assistant and the number of open files is up slightly from last year. Qual-Lynx's continues to take the FROI (First Report of Injury) and sets up the initial physician provider visit if needed.

WC Unit

Adjuster	Re-Open	Open	Final	Total
Dempsey	26	99	116	291
Jackson	27	68	69	164
Henry	24	61	55	140
Smith	35	38	53	126
Weiner	29	43	42	114
Temple	31	55	50	136

WC Unit

Adjuster	Re-Open	Open	Final	Total
Di Bacco	33	66	91	190
Olsen	21	52	25	98
Lawhon	32	59	66	157
Kane	22	75	57	154

Caseloads are lower from the last audit and are ideal for the adjusters to focus on getting good results. The benefit of lower caseloads is evident in the time spent on investigating late reporting of claims, investigating prior injuries that may have contributed to the on the job injuries and working with school districts on accommodations for returning injured workers back to the work place.

There was also good utilization of nurse case management in assisting with expeditiously scheduling treatment and following up with injured workers to verify that injured workers keep their appointments. A full time rehabilitation nurse is available to the adjusters and is a best practice for controlling medical costs.

Liability Unit

Adjuster	Re-Open	Open	Final	Total
Huntley	5	74	92	171
Brewer	20	86	280	386
Varley	5	71	186	262
Shockling	10	75	44	129
Miller	19	78	95	192

The liability unit has one less adjuster than last year. Caseloads are reasonable for a dedicated unit and allow adjusters to better control claims and work with attorneys on complex litigation.

Re-Openings- Most re-openings are on WC claims where employees are wanting to increase their disability rating. On the other lines there were 2 property, 23 GL, 24 EO, and 21 AL. This is fewer than last year when there were 111 re-openings on these lines. This indicates that there is better contact with the parties to the claims to make sure all issues have been addressed and all bills have been paid.

Subrogation- For the review period there were 125 subrogation recoveries representing \$931,110.51. This represents 2% of the amounts paid which is consistent with the rate of recovery last year where there were 127 recoveries.

Reserves- Because of the re-openings of WC they represent the most volatile. Consistent with previous years the total incurred is 63% greater than the total paid. This appears for the period reviewed to be sufficient redundancy based on the known exposure.

WC Audit Analysis-The WC unit is in compliance with the procedure manual. 145 files were reviewed of which 57 had loss dates within the review period.

Reserves- The rationale for reserves are outlined in the file notes and is a regular question posed by supervisors when they are reviewing files. No exceptions to reserve authority limits were noted and there was no evidence of stair stepping. One file audited needed the reserves reviewed.

Contact- The procedure manual outlines that 48 hour contact be made with the parties to a new claim. This standard was followed with no exceptions.

Diary- All files were on a regular diary appropriate for the circumstances of the claim. Supervisors maintained appropriate diaries and outlined what was required to move the claim to conclusion.

File Control/Medical Management- One file was marked for not obtaining all the bills before closing the file. No other exceptions were found.

Litigation Management- Adjusters are in control of the files and direct the attorneys. There was only one exception found.

Reporting- All files reviewed were reported to the excess carriers if warranted.

Investigation- Two files were noted for needing an initial investigation. Some files start out as medical only and are later transferred to the loss time unit. In these situations the claim has already been accepted. Even though the claim has already been accepted on two such claims the files would have benefited from the adjuster reviewing the prior medical history and circumstance of the injury.

Subrogation- One file had a piece of equipment break where subrogation was not mentioned in the file notes.

P&C Audit Results- The breakdown of the claims audited is as follows:

Claim Type	Number
GL	13
AL	15
EO	10
PROP	13

Reserves- All claims were reserved adequately for the known exposure at the time the reserves were set. Similar to the WC category notes explained the reserve rationale and future diary dates had reminders to check the reserves

Coverage- Coverage was addressed in all files reviewed. In property files a copy of the declaration page was scanned into the file and on liability files coverage issues were discussed in the notes and appropriate reservation of rights letters were sent. Complex claims involving claims involving general liability and errors and omissions were discussed with the manager and supervisor prior to writing reservation of rights or declinations of coverage. No exceptions were found.

Investigation-Detailed instructions were put in the files from the supervisor as well as follow up instructions regarding the investigation that was required based on the circumstances of the claim. Only one exception was found.

Contact- Contact was timely on all files. The procedure manual requires 48 initial contact from the time the claim is reported and no exceptions were found.

Litigation Management- The main exposure for litigation as stated last year is the management of special needs students through Individualized Education Plans (IEP). This is a very specialized area of the law and the adjusters and defense counsel are skilled in reviewing the circumstances of such claims to make an early determination of exposure. The staff continue to educate school board on the elements of a good IEP plan to lessen exposure to these types of claims.

Another major area of concern is the handling of personnel matters up to and including termination. NJSIG maintains a hotline to provide advice to school boards prior to terminating employees. On the claims reviewed defense counsel and adjusters were able to quickly determine whether the school violated employee personnel procedures and move to settle the case if there is exposure. Only one exception was noted.

Diary- All files were on diary.

File Control- Two files from the same adjuster were noted for using terminology in file notes and letters which contained confusing language. Documentation should be in a conversational style which does not use personal views.

Best Practices- NJSIG follows several best practices which were outlined in the last audit and are being utilized today:

Indexing- Injury claims are indexed on a regular basis. Indexing can find prior injuries and is a good tool in fighting fraud.

CMS Reporting- All claims are queried through the STARS system via Exam Works formerly Gould and Lamb. Hits are reported and no settlement check leaves the office without the file reflecting the status of any lien.

Internal Audit-Spot-Checks were provided during this audit verifying that the internal quality control program continues to be used to improve results

Vendor Checks- A random review of vendor checks is documented and the documentation of the validity of the vendor is documented.

Escheat-There is a written escheatment policy which is managed by the accounting department.

External Vendor Audit- NJSIG does a random review of assignments completed by Qual-Lynx. These reviews are used for continuous improvement.

Prescription Card Program- NJSIG uses a card program which insures that their PBM (Pharmacy Benefit Manager) gets discounts on initial and subsequent prescriptions.

Recommendations:

Consider working with Qual-Lynx on rating WC first report of injuries to see if they can rate the likelihood of loss time by the employee and assign the claim to a loss time adjuster. Reviewing the number of current claims which are transferred from MO to loss time is a good measuring stick to review with Qual-Lynx how they could rate the first reports.

Discuss with liability adjuster the necessity of improving the professionalism of his documentation.

It has been a pleasure conducting this audit and if you should have any questions please let me know.

Respectfully Submitted,

Robert Bennett

RHB Consulting, LLC.