

# New Jersey Schools Insurance Group



## *PLAN OF RISK MANAGEMENT*

*2017/2018*

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# NEW JERSEY SCHOOLS INSURANCE GROUP

## PLAN OF RISK MANAGEMENT

The mission of New Jersey Schools Insurance Group ("NJSIG"), a school insurance pool, is to ensure the availability of insurance to New Jersey public school districts and charter schools by offering the best coverage at the lowest possible cost while providing risk management education, training and services.

### I. INTRODUCTION

NJSIG is a joint insurance fund formed under the provisions of N.J.S.A. 18A: 18B-1 et. seq. NJSIG's membership is comprised of public school districts and charter schools. NJSIG commenced operations in October 1983.

NJSIG's objectives include the following:

- A. Providing eligible school districts and charter schools with a long-term alternative to the conventional insurance market as a means of stabilizing the otherwise cyclical nature of insurance expenditures;
- B. Maintaining proactive safety and loss prevention programs specific to issues inherent in public schools;
- C. Aggressively evaluating, defending and/or settling claims made against Members which fall within the defined coverages afforded through NJSIG;
- D. Maintaining a responsible funding posture in an effort to ensure long-term financial security for NJSIG and, by extension, the membership.

## **II. COVERAGE PROVIDED, LIMITS OF LIABILITY, SELF-INSURED RETENTIONS AND DEDUCTIBLES**

### **A. GENERAL**

NJSIG offers coverage to its Members through one or more of the following vehicles:

- Pooled self-insurance
- Excess insurance
- Reinsurance
- Individual contracts

NJSIG offers its Members the following coverages:

1. Workers' Compensation and Employers' Liability
2. Automobile Liability,
3. General Liability
4. Property
5. Equipment Breakdown
6. Automobile Physical Damage
7. School Leaders Errors and Omissions Liability
8. Crime and Bonds
9. Electronic Data Processing
10. Excess Liability
11. Supplemental Indemnity
12. Breach Response
13. Environmental Liability

The specific limits of coverages afforded by NJSIG incorporate individual Member deductibles, funded self-insured retentions and various jointly purchased conventional and excess/reinsurance policies. Unless specifically stated to the contrary, limits shown in the following sections shall be considered to be inclusive of applicable pooled self-insured retention.

NJSIG also provides for aggregate excess insurance where applicable.

**B. PROPERTY**

- |    |                                    |                                 |
|----|------------------------------------|---------------------------------|
| 1. | Limit of liability                 | \$500,000,000<br>per occurrence |
| 2. | NJSIG self-insured retention (SIR) | \$1,000,000 per occurrence      |
| 3. | Member deductible                  | \$1,000 to \$50,000             |
| 4. | Perils included                    | see policies “Appendix A”       |

**C. EQUIPMENT BREAKDOWN**

- |    |                              |                                   |
|----|------------------------------|-----------------------------------|
| 1. | Limit of liability           | \$100,000,000 per loss            |
| 2. | NJSIG self-insured retention | \$0                               |
| 3. | Member deductible            | 12 hours/\$1,000 - \$10,000       |
| 4. | Policy conditions            | refer to specific policy language |

**D. COMPREHENSIVE GENERAL AND AUTOMOBILE LIABILITY**

- |    |                                     |  |
|----|-------------------------------------|--|
| 1. | Limit of liability                  | between \$1,000,000 and \$31,000,000 per<br>occurrence   |
| 2. | NJSIG self-insured retention (SIR): | \$500,000 per occurrence   |
| 3. | Member deductible                   | liability options \$0-\$50,000<br>except \$1,000 employee benefits   |
| 4. | Insuring agreement                  | provides coverage for bodily injury,<br>property damage and personal<br>injury liability arising out of the<br>business activities of the Member. See<br>specific policy language. |

**E. WORKERS' COMPENSATION**

- 1. Limits of liability:
  - (a) Workers' Compensation statutory
  - (b) Employers Liability \$2,000,000 per occurrence
  
- 2. NJSIG specific self-insured retention
  - (a) Workers' Compensation \$1,000,000
  - (b) Employers Liability \$1,000,000
  
- 3. Member deductible none

**F. SCHOOL LEADERS ERRORS & OMISSIONS LIABILITY**

- 1. Coverage A Limits of liability between \$1,000,000 and \$31,000,000 per occurrence/aggregate, per member. Limit chosen by district may be subject to retro-active dates. Refer to specific policy language.
  
- 2. Coverage B \$100,000/\$300,000 or \$50,000/\$150,000
  
- 3. Member deductible: between \$5,000 to \$250,000 Coverage A and B
  
- 4. Insuring agreements: refer to specific policy language.
  
- 5. NJSIG self-insured retention \$0

**G. REINSURANCE**

- 1. NJSIG may purchase reinsurance or excess insurance, which is subject to the terms and conditions of the specific excess or reinsurance carrier agreements. NJSIG purchased reinsurance for the following:
  - (a) Property: NJSIG cedes 100% net loss per occurrence in excess of \$1,000,000 to a maximum of \$500,000,000.
  
  - (b) Comprehensive General Liability and Automobile Liability: NJSIG cedes 100% net loss per occurrence in excess of \$500,000.
  
  - (c) Workers' Compensation and Employers Liability: NJSIG places excess statutory limits of liability and employers' liability in excess of \$1,000,000 per occurrence.
  
- 2. The cost of reinsurance is variable depending on Member exposure. The final number will be determined by audit at year-end. Based upon known exposures the total

reinsurance cost is estimated to be \$33,500,000.

### **III. OPERATIONAL PHILOSOPHY**

#### **A. SUB-FUNDS**

NJSIG organized the state into seven (7) predominately geographical groups known as Sub-Funds. There is also an eighth group consisting of non-geographical members.

Eligible NJSIG Members are assigned to a geographic Sub-Fund. Continued membership in the Sub-Fund is predicated on Members meeting the minimum standards of participation and maintaining the required loss profile as defined by the eligibility requirements.

These Sub-Funds have no decision making authority relative to the operation of NJSIG. Sub-Fund governing documents do not supersede any governing documents of NJSIG.

Each Sub-Fund is individually analyzed and priced by NJSIG's actuary for workers' compensation based on that particular Sub-Fund's loss experience, size and premium volume.

Each of the seven geographical Sub-Funds has a Sub-Fund Administrator. The Sub-Fund Administrator is an insurance broker with demonstrated school board risk management expertise and a contract with NJSIG.

Members may be removed from a Sub-Fund if they do not meet the eligibility requirements.

#### **B. PREMIUM CONTRIBUTION**

1. Each year, the actuary shall compute the probable net cost for the upcoming year by line of coverage.
2. The annual premium of each Member shall be its share of the probable net cost for the upcoming year based upon exposures, loss portfolio and experience modifiers.
3. A Member's right to continue membership in a particular Sub-Fund for the full term of its commitment is contingent upon meeting the eligibility requirements.
4. The calculation of premium for each Member shall be based on the overall annual budget. Premiums may be modified to reflect the loss history or underwriting data of the individual Member.
5. NJSIG's Board of Trustees votes and approves the budget at least one (1) month prior to the beginning of the next fiscal year.
6. The annual premium shall be paid in one (1) installment, except Workers'



Compensation, where Members may request up to a maximum of twelve (12) monthly installments.

**C. BROKERS**

Members are required to retain the services of a broker. Service expectations of brokers include, but are not limited to the following:

1. The Broker retained must be licensed by the State of New Jersey.
2. The Broker shall be paid commission by NJSIG as defined in the standard commission policy.
3. The Broker's specific responsibilities shall include but not be limited to:
  - (a) Annual evaluation of the Member's exposures, policies and risk portfolio.
  - (b) Expert knowledge and guidance with respect to coverages, limits and deductibles applicable to the Member's individual exposures.
  - (c) Preparation and completion of reports, applications, statements of values, schedules and other required Underwriting documentation to obtain coverage terms.
  - (d) Review of Member's insurance costs in preparation of the Member's insurance budget.
  - (e) Review of the Member's loss experience, engineering reports and participation in the Member's safety committee meetings.
  - (f) Assist and guide in the claims process, as necessary.
  - (g) Attendance at their Member's respective Sub-Fund meetings.
4. The broker shall be a New Jersey licensed Property/Casualty Insurance Producer who has demonstrated and provided proof of prior experience in the management of public entity insurance risks. The broker shall maintain at least a \$5,000,000 per claim errors & omissions insurance limit and provide evidence of coverage to NJSIG prior to binding. Brokers earning less than \$30,000 of annual NJSIG commission may request an annual exemption for the \$5,000,000 errors and omissions insurance minimum requirement. Such requests must be submitted to the Underwriting Manager in writing 60 days prior to renewal.

**D. CLAIMS RESPONSE AND RESERVING**

**1. CLAIM DEPARTMENT STATEMENT**

- (a) Customer Service

NJSIG is committed to partnering with member districts to provide extraordinary claim service to all members.

(b) Quality Services

Departmental procedures have been developed to meet the present and future needs of Members. Achieving consistently favorable results is a clear measure of sustained quality service.

#### IV. STANDARDS OF PERFORMANCE

##### A. GENERAL LIABILITY/AUTOMOBILE LIABILITY

1. Coverages

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage, any remaining questions or issues will be documented and communicated with a reservation of rights letter.

2. Initial Technical Processing

New losses are assigned promptly, reserved and entered into the claim system within one business day of receipt. Appropriate matters are centrally indexed to cross reference prior claims. An acknowledgement letter is sent to the Member when the file is set up, with a copy to the broker.

3. Insured/Claimant Contact

- (a) All insureds must be contacted within two business days of assignment.
- (b) All claimants will be contacted within two business days of assignment. If verbal contact is not made, written correspondence will follow.

4. Investigation

- (a) Investigation of claims will be guided by the adjuster assigned.

5. Reporting and Communication

- (a) The claim file will be documented detailing all developments. Correspondence will be addressed and answered timely, as necessary.
- (b) All reserves will be reviewed and, as necessary, approved by a supervisor and/or Claims Manager.

- (c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under any reinsurance or excess reporting guidelines, shall be reported to the reinsurer/excess carrier immediately.
- (d) All files are reviewed on a periodic and as needed basis by the claims adjuster and supervisor.

6. Recovery/Subrogation/Contribution

- (a) Claims with subrogation recovery and/or contribution potential shall be recognized, investigated and documented.
- (b) If recovery, subrogation and/or contribution is to be waived or compromised, it must be approved by the Claims Manager.

7. General

- (a) Loss Control will be notified as to conditions which may require corrective measures. Loss Control will contact the Member and ensure the condition is given appropriate attention.
- (b) For all physical damage automobile losses, the vehicle must be inspected by an independent auto appraiser within five business days of assignment and concluded within ten business days. If damages are less than \$2,000, two estimates may be reviewed by the claims adjuster in lieu of a physical inspection.
- (c) Centers for Medicare and Medicaid Services (CMS) reporting complied with in all cases involving bodily injury.

**B. WORKERS' COMPENSATION**

1. Coverages

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage, any remaining questions or issues will be documented and communicated.

2. Initial Technical Processing

New losses are assigned promptly, reserved and entered into the claims system within one business day of receipt. Appropriate matters are centrally indexed to cross reference prior claims. An acknowledgement letter is sent to the Member when the file is set up, with a copy to the broker.

3. Insured/Claimant Contact

All insureds and claimants must be contacted within two business days of assignment for lost time cases.

4. Investigation

- (a) The claimant should be interviewed or a statement obtained for all claims involving questionable and/or serious exposure when appropriate.
- (b) A detailed investigation shall be conducted for all claims commensurate with the potential exposure.

5. Reporting and Communication

- (a) The claim file will be documents detailing all significant developments. Correspondence will be addressed and answered timely, as necessary.
- (b) All reserves will be reviewed and, as necessary, approved by a supervisor and/or Claims Manager.
- (c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under any reinsurance or excess reporting guidelines shall be reported to the reinsurer/excess carrier immediately.
- (d) All files are reviewed on a periodic and as needed basis by the claims adjuster and supervisor.

6. Recovery/Subrogation/Contribution

- (a) Claims with subrogation recovery and/or contribution potential shall be recognized, investigated and documented.
- (b) If recovery, subrogation and/or contribution is to be waived or compromised, it must be approved by the Claims Manager.

7. General

- (a) Loss Control will be notified as to conditions which may require corrective measures. Loss Control will contact the Member and ensure the condition is given appropriate attention.
- (b) Compensability analysis shall be in accordance with New Jersey law.
- (c) Initial indemnity payment on all loss time cases shall occur within twenty-one (21) business days of receipt of loss.
- (d) Medical bills should be process/paid within ten (10) business days of

receipt.

- (e) Lost wages and permanency claims are to be properly calculated based on current New Jersey law and disability chart. The disability chart is updated by the State of New Jersey annually.
- (f) Physician contact and control is completed based on the treatment plan established by the claims adjuster along with the managed care provider.
- (g) Centers for Medicare and Medicaid Services (CMS) reporting complied with in all cases involving bodily injury. The First Report of Injury (FROI) and the Subsequent Report of Injury (SROI) are complied with in accordance with New Jersey law.

## **C. PROPERTY**

### 1. Coverage

Claims will be promptly reviewed for coverage. If there is a question concerning coverage, the issue(s) will be documented and reviewed. If issues of coverage remain, the matter will be referred to coverage counsel with a request for a timely determination. Excess and/or reinsurance carriers will be informed as required. Upon determination of coverage any questions or issues will be documented and communicated.

### 2. Initial Technical Processing

New claims are assigned promptly, reserved and entered into the claims system within one business day of receipt. Appropriate matters are central indexed to cross-reference prior claims. An acknowledgement letter is sent to the Member when the file is set up, with a copy to the broker.

### 3. Insured Contact

All insureds must be contacted within two (2) business day of assignment. If verbal contact is not made, written correspondence will be sent.

### 4. Investigation

A NJSIG claims adjuster, along with a designated property appraiser, if necessary, will be assigned to verify damages, cause of loss and provide an appraisal/estimate for needed repair or replacement. If a physical inspection is necessary, it will be completed within three (3) business days of assignment. If no inspection is warranted, receipts, purchase orders, or other substantiated documentation will be obtained to verify and pay the loss. All claims with significant subrogation potential will be assigned to subrogation counsel, as necessary.

5. Reporting and Communication

- (a) The claim file will be documented detailing all developments. Correspondence will be addressed and answered timely, as necessary.
- (b) All reserves will be reviewed, and as necessary, approved by a claims supervisor and/or Claims Manager.
- (c) Claims that are 50% of NJSIG's retention, catastrophic losses or that meet the criteria under reinsurance or excess reporting guidelines shall be reported to the reinsurer/excess carrier immediately.
- (d) All claims are reviewed on a periodic and as needed bases by the claims adjuster and supervisor.

6. Recovery/Subrogation

- (a) Claims with subrogation recovery and/or contribution potential shall be identified, investigated and documented.
- (b) If subrogation, recovery and/or contribution is to be waived or compromised, it must be approved by the Claims Manager.

7. General

- (a) Loss Control will be notified of conditions which may require corrective measures. Loss Control will contact the Member and ensure the condition is given appropriate attention.
- (b) A proof of loss will be required on all property claims. The proof of loss must be signed and notarized by the school business administrator.

**D. PRODUCTIVITY/PENDING STANDARDS**

1. The guidelines below indicate the number of files each claims adjuster should handle by position.

Property/Liability

claim representative	to 150
senior claim representative	to 150
claim examiner	to 150

Workers Compensation

claim representative	to 175
senior claim representative	to 180
claim examiner	to 185

Claims supervisors shall have claims adjusters under their direct supervision, reviewing all files on a scheduled and as needed basis.

2. Productivity Guidelines

- (a) The goal is for all claims adjuster to close one file for every file that is opened.

**E. LEGAL CLAIM HANDLING**

1. Counsel Billing

- (a) Counsel bills must be submitted for each matter, adhering to NJSIG's litigation guidelines. Itemized bills should contain a description of each charged activity, date of service and time allocated for each activity. The bills must indicate total time spent and total charges. The claims adjuster is expected to audit each bill and communicate with counsel on questionable charges.

2. Legal Handling

- (b) Counsel should perform only legal work. Investigative activities should be conducted by the claims adjuster. The claims adjuster and counsel should work together to determine who is appropriate to handle negotiations. All negotiations shall be documented in the file and confirmation of that authority shall be provided to counsel.

**F. CLAIM PAYMENT PROCEDURES**

1. Once a medical, legal, or service bill is verified, the claims adjuster shall highlight the amount to be paid. The claims adjuster shall initial the bill, date it, indicate the payment and coverage type, and forward it to the bill processor for payment. The bill processor must verify the payment. Bills are to be paid within ten (10) calendar days of receipt, unless further clarification is necessary.

**G. INCOMING/OUTGOING CORRESPONDENCE**

1. All incoming mail is date stamped on the same day it is received and tasked to the respective claim adjuster. Prior to close of business, the claims adjuster will process the task and determine if it is a priority or scheduled activity for a later date.
2. Any correspondence without an addressee or claim number will be brought to the attention of a claims supervisor for further action.

**H. OUTSIDE INDEPENDENT ADJUSTERS ASSIGNMENTS**

1. The claims adjuster maintains control of any investigation. Should the services of an independent appraiser or adjuster become necessary, their activities and direction are guided by the NJSIG claims adjuster.

## **I. REPORTING GUIDELINES WORKERS' COMPENSATION**

A summary report will be completed within ten (10) business days by the claims adjuster. The contents of that report shall include:

1. Occurrence/accident description
2. Compensability acceptance/denial – if denied explanation
3. Injury
4. Subrogation
5. Action plan
6. Reserve

The above information shall be added as an entry into the claims file. This information should be brief with an explanation in each category.

An annual report is to be done one year from the date the file was assigned, as well as each year the file remains open.

## **J. REPORTING GUIDELINES - GENERAL LIABILITY/AUTOMOBILE LIABILITY**

A summary report will be completed within fifteen (15) business days by the claims adjuster. The contents of that report shall include:

1. Description of loss/occurrence
2. Liability
3. Damages
4. Action plan
5. Reserves

The above information shall be added as an entry into the claims file. This information should be brief with an explanation in each category.

An annual report is to be done one year from the date the file was assigned, as well as each year the file remains open.

## **K. REPORTING GUIDELINES - PROPERTY**

A summary report will be completed within fifteen (15) business days by the claims adjuster. The contents of that report shall include:

1. Description of loss/occurrence
2. Coverages
3. Scope of damages
4. Action plan
5. Reserve



The above information shall be added as an entry into the claims file. This information should be brief with an explanation in each category.

An annual report is to be done on year from the date the file was assigned, as well as each year the file remains open.

#### **L. REHABILITATION GUIDELINES - ADMINISTRATIVE CONTROLS**

1. The following criteria shall be used when a claim is to be referred for medical rehabilitation.

(a) The following injuries are to be immediately referred:

- Spinal cord injuries
- Serious head injuries
- Amputations
- Severe burn
- Crush injuries
- Heart Problems
- Stress-related disorders
- Serious eye injuries
- Complex regional pain syndrome (RSD)

(b) Other possible referrals, post initial injury, could include:

- Herniated disc
- Multiple fractures
- Exacerbation of pre-existing condition
- Exacerbation of congenital condition
- Extensive over-treatment for a soft tissue injury

#### **V. GENERAL COMMENTS**

##### **A. DISCRETIONARY SETTLEMENT AUTHORITY**

Pursuant to a school's workers' compensation policy, NJSIG will pay medical and loss wage benefits when such payments are warranted, legal or as ordered by a court. There may be some claims however, where either liability or amount of benefit due is contested.

The Board of Trustees approved the following authority for the settlement of contested workers' compensation claims:

##### **Settlement Authority**

\$1—\$500

bill processor

\$501 - \$60,000	claim representative and senior claim representative
\$60,001 - \$120,000	claim examiner
\$120,001 - \$200,000	claim supervisor
\$200,001 - \$300,000	claim manager
\$300,001 – Up	Board of Trustees

The Claim Manager shall have discretion to adjust any individual’s authority under \$300,000.

All lines of coverage, other than workers’ compensation, are subject to the following settlement authority:

**Settlement Authority**

\$1—\$5,000	bill processor
\$5,001 - \$35,000	claims representative and senior claims representative
\$35,001-\$60,000	claims examiner
\$60,001-\$90,000	claims supervisor
\$90,001-\$200,000	claims manager
\$200,001-\$300,000	claims manager and chief legal officer
\$300,001-above	Board of Trustees

The Claim Manager shall have discretion to adjust any individual’s authority under \$200,000.

NJSIG recognizes that there may be instances where the Board of Trustees has approved authority and facts arise that indicate more settlement authority is required. It may be impossible to reconvene the Trustees timely to consider the matter further. The Trustees authorize the Claims Manager, Chief Legal Officer and one member of the NJSIG claims committee for the purpose of extending additional authority on such cases, in an amount not to exceed 120% of the original extended authority. Should this occur, the Claims Manager shall report it to the Trustees at the next regularly scheduled Board of Trustee meeting.

**B. CLAIMS COMMITTEE**

In the event that settlement authority is required before the next regularly scheduled meeting, the Claims Committee shall be convened. The claims committee is comprised of the Claims Manager, the Chief Legal Officer and up to three (3) Board of Trustee Members. The Claims Committee shall have authority to approve claims, provided that the amount is recommended by both the Claim Manager and the Chief Legal Officer. All three Trustee participants will be notified of all meetings, however, only one Trustee is required to participate in order to extend settlement authority, in addition to the Claim Manager and Chief Legal Officer. Agreement by a simple majority of attendees, along with the recommendation of the Claim Manager and Chief Legal Officer, shall be sufficient to establish settlement authority.

**C. FINANCIAL MANAGEMENT**

All actuarial, investment and banking functions of NJSIG are outlined in NJSIG's policies, cash management plan, procedures and bylaws.

**D. SAFETY AND LOSS PREVENTION**

In an effort to identify and prevent loss, NJSIG will implement safety and risk control programs and procedures intended to reduce and eliminate conditions or practices which may lead to loss.

**E. STANDARDS OF PARTICIPATION**

The following are the eligibility requirements for participation as approved by the Board of Trustees:

1. The Member's five (5) year claims history, policies and risk management philosophy should demonstrate safety performance consistent with NJSIG's requirements.
2. A safety inspection and evaluation, where required, conducted by NJSIG's Safety and Loss Control department to confirm that the Member meets NJSIG's safety standards.
3. Members must develop a safety committee and actively participate in NJSIG sponsored safety programs and trainings.
4. Members must be in compliance with all Federal and New Jersey Statutes governing the operations of public schools and the accompanying regulations.
5. Member must promptly pay all premiums or other obligations arising out of or related to the Member's participation in NJSIG.
6. Actively participate in all NJSIG sponsored or directed meetings, programs or activities to ensure the continued successful operation of NJSIG.

NJSIG's will notify the Member of any eligibility concerns as outlined above. In each case, NJSIG will work with the Member to address and correct, as necessary, the concerns. Continued improvement with safety and loss control programs, as guided by a member of the NJSIG Safety and Risk Management team, will be required to remain eligible. Should a Member fail to work with NJSIG in addressing any eligibility concern, NJSIG may seek termination of membership as outlined in the NJSIG Bylaws.