



New Jersey Schools Insurance Group
6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
www.njsig.org

Board of Trustees Meeting of May 16, 2018
Action Item
First Reading
Policy 8010 standard broker commissions and
Policy 8020 broker of record procedures

On May 20, 2015, the NJSIG Board of Trustees voted to adopt standard broker commissions and broker of record procedures. These proposed policies codify the NJSIG standard broker commissions and broker of record procedures. Thus, it is proposed that the Board adopt these standard broker commissions and broker of record policies.

Recommended Resolution: to approve the proposed policy 8010 standard broker commissions and policy 8020 broker of record procedures for a first reading.

William Mayo

William Mayo, CPCU, ARM
Executive Director

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Policies & Procedures

Adopted:
Amended:

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POLICY

BROKER COMMISSIONS

1. **Purpose.** This policy governs the New Jersey Schools Insurance Group's standard broker commission structure.
2. **Definitions.** Wherever used in this policy, the following terms are defined accordingly.
 - 2.1. Insurance broker: Also known as a risk manager. The insurance broker is the individual that has submitted a valid broker of record letter on behalf of a NJSIG member for the applicable policy year.
 - 2.2. Broker commissions: Broker commissions are part of member contributions (premiums). These commissions are calculated as a percentage of gross contributions (premiums). These commissions are paid to the insurance broker on behalf of the NJSIG member. These commissions include all costs associated with the insurance broker providing risk management services to the NJSIG member, which includes, but is not limited to: the cost of providing risk management services to the member regarding what coverage, and the extent of coverage that the NJSIG member should obtain, as well as professional liability coverage to protect the member against errors and omissions committed by the insurance broker.
3. **Standard broker commission percentages.**
 - 3.1. Workers' compensation coverage: 6%
 - 3.2. Supplemental workers' compensation indemnity coverage: 10%
 - 3.3. All other coverages: 15%
 - 3.4. Include the requested effective date of the change;
4. **New commission arrangements.** All broker commission arrangements executed on or after July 1, 2008 will be quoted at the standard broker commission percentages outlined above.
5. **Pre-existing commission arrangements.** All broker commission agreements that existed prior to July 1, 2008 are grandfathered at existing rates.
6. **Direct writing.** NJSIG does not provide any coverage without a member receiving coverage advice from an insurance broker.

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7. **Exceptions.** Any request for an exception to this policy shall be addressed to the Executive Director.
8. **Effective date.** This policy is effective July 1, 2018.

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POLICY

BROKER OF RECORD

1. **Purpose.** This policy governs the New Jersey Schools Insurance Group's handling of broker of record letters received from NJSIG members.
2. **Definitions.** Wherever used in this policy, the following terms are defined accordingly.
 - 2.1. **Insurance broker:** Also known as a risk manager. The insurance broker is the individual that has submitted a valid broker of record letter on behalf of a NJSIG member for the applicable policy year.
 - 2.2. **Broker commissions:** Broker commissions are part of member contributions (premiums). These commissions are calculated as a percentage of gross contributions (premiums). These commissions are paid to the insurance broker on behalf of the NJSIG member. These commissions include all costs associated with the insurance broker providing risk management services to the NJSIG member, which includes, but is not limited to: the cost of providing risk management services to the member regarding what coverage, and the extent of coverage that the NJSIG member should obtain, as well as professional liability coverage to protect the member against errors and omissions committed by the insurance broker.
3. **Form and contents.** The broker of record letter must:
 - 3.1. Be on the NJSIG member's official letterhead;
 - 3.2. Be executed by an authorized representative (such as the business administrator) of the NJSIG member;
 - 3.3. Include the name and contact information for the newly appointed risk manager;
 - 3.4. Include the requested effective date of the change;
 - 3.5. Include the date on which the letter was executed by an authorized representative of the NJSIG member.
 - 3.6. Be received by NJSIG within thirty days of its execution by the NJSIG member;

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- 3.7. Include the lines of coverage and policy numbers to which the broker of record change is requested;
- 3.8. Include a copy of the insurance broker's applicable producer license(s); and,
- 3.9. Be addressed to the head of the NJSIG Underwriting Department.
4. **Procedure.** Upon receipt of a broker of record letter, we will notify the incumbent broker and the new broker. If NJSIG does not receive a rescinding letter from the NJSIG member within ten business days, NJSIG will process the broker of record transfer. NJSIG does not accept cancellation/re-write requests after a change of broker has occurred.
 - 4.1. The new broker must submit completed submission for quoting purposes using new applications. NJSIG will only issue a quote proposal based upon an application completed by the incumbent broker (or release applications completed by the incumbent broker) upon receipt of a letter from the new broker agreeing to defend and indemnify NJSIG and the relevant NJSIG member against any errors and omissions stemming from the use of previously completed applications.
5. **Deadlines.** For July 1 business, NJSIG must receive the Broker of Record letter (and copy of producer's license for agent and agency) by 5:00 p.m. on June 10 of the preceding policy year. For any other renewal date the letter must be received 15 business days prior by 5:00 p.m.
6. **Minimum requirements.** All insurance brokers must be licensed by the State of New Jersey, Department of Banking and Insurance. All insurance brokers must carry professional liability coverage to protect the NJSIG member against errors and omissions committed by the insurance broker an amount not less than that set forth in NJSIG's plan of risk management.
7. **Effective date for broker of record changes.** All broker of record changes are effective July 1 of the following policy year. No broker of record changes will be effective mid-policy year. To be effective July 1 of the following policy year, NJSIG must receive the broker of record letter by June 10 at 5:00 p.m.

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7.1. For all mid-year broker of record changes, NJSIG will treat the newly appointed broker as the servicing broker; however, any broker commissions associated with endorsements and mid-year coverage changes will continue to be forwarded to the incumbent broker until July 1.

8. **Effective date.** This policy is effective July 1, 2018.