



New Jersey Schools Insurance Group

6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of September 20, 2017 Claims Report

❖ June 1, 2017 to August 31, 2017 CLAIM ACTIVITY

Workers' Compensation

Total pending work comp cases as of June 1 st	2714
New work comp cases months from June 1 st to August 31 st	1049
Total work comp cases months from June 1 st to August 31 st	3763
Total <u>closed</u> work comp cases from June 1 st to August 31 st	(1476)

Total Pending Work Comp Cases as of August 31, 2017 **2287**

Property / Liability

Total new property-liability reports as of June 1 st	675
New property-liability cases from June 1 st to August 31 st	264
Total property-liability cases from June 1 st to August 31 st	939
Total <u>closed</u> property-liability cases from June 1 st to August 31 st	(338)

Total Property-Liability Cases as of August 31, 2017 **601**

Office Totals

Total pending cases as of June 1 st	3389
Total new reports from June 1 st to August 31 st	1313
Total cases from June 1 st to August 31 st	4702
Total <u>closed</u> cases from June 1 st to August 31 st	(1814)

Total Pending Cases as of August 31, 2017 **2888**



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Claim Report – September 20, 2017

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■PENDING BY ADJUSTER TITLE

Job Title	June - August
Claim Representatives 8	833
Senior Claim Representatives 4	652
Claim Examiner 10	1403
Totals	2888

Work Load Standards

Property/Liability

Claim Representative to 150 files
Senior Claim Representative to 150 files
Claim Examiner to 150 files

Workers' Compensation

Claim Representative to 175 files
Senior Claim Representative to 180 files
Claim Examiner to 185 files

■CLAIMS ACTIVITY

The total number of new claims for this period was 1313, an average of 437 claims per month between June and August. August is traditionally the month of the year with the fewest new claims. Average new claims volume is in line with results in previous years for the summer months. The overall pending 2888, represents a decrease of 15% from the end of May total of 3389.

We received 1049 new workers' compensation claims. This is an average of 349 claims per month. This represents a significant reduction from the total in May which was 613 new claims. New claims were down 43% on average from the May total. Property-liability claims totaled 264, an average of 88 between June and August, which is down 21% from the May result of 111 new claims.



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■ CLAIMS PERSONNEL

Lindsay Blumenfeld was hired as a Medical Claim Representative replacing Lauren Schmidt, who was promoted to a Claim Representative in one of our workers' compensation indemnity units. Lauren was promoted when Maureen Dempsey was promoted to Senior Claims Representative in May.

■ SELECTED SELF-AUDIT RESULTS

	RATING		PERCENT
	Satisfactory	Unsatisfactory	
Reporting & Communication	389	23	94%
Direction	494	39	93%
48 Hour Contact	155	23	87%
Investigation	112	15	88%
TOTALS	1150	100	92%

The preceding results are reflected in the overall claims analysis report for 20 individuals. Individual results were 99%, 99%, 98%, 97%, 97%, 96%, 96%, 93%, 93%, 92%, 92%, 90%, 89%, 88%, 86%, 84%, 83%, 82%, 82%, and 81%. The category of Reporting & Communication improved significantly from 81% to 94%. The 48 Hour Contacts category improved from 82% to 87%. Investigation improved from 86% to 88%. Direction went down slightly from 97% to 93%, which has been addressed.

■ FRAUDULENT CHECK

A review of 150 checks issued in June to August was completed to determine if any were fraudulent. No internal or external problems were found.



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■ACCOUNT VISITATIONS AND INSTALLATIONS

- June 29, 2017 CAIP Sub-Fund Meeting attended by Tony Ruggeri, Claims Manager and Sherwin Archibald, Liability Claims Supervisor.
West Windsor BOE Workers' Compensation training and installation meeting.
- July 24, 2017 Scotch-Plains BOE Workers' Compensation training and installation meeting.
- July 26, 2017 Exam Works IME Portal training.
- August 8, 2017 Randolph BOE Workers' Compensation training and installation meeting.

■EDUCATION AND TRAINING

- June 15, 2017 Jill Deitch, Chief Legal Officer and Steve Tucker, Assistant General Counsel held Title 59 legal update and training session for the Claims Staff.
- June 27, 2017 Centers for Medicare and Medicaid Services (CMS) training and legal update session was held by Workers' Compensation defense attorneys Matthew Gitterman, Esq., Biancamano & DiStefano, P.C. and Annie M. Davidson, JD, CMSP, attorney specializing in CMS from Exam Works Clinical Solutions.
- June 30, 2017 Pre-Existing Conditions presentation to the Claims Staff by Dr. Daniel Dorri.
- August 6-9, 2017 Tony Ruggeri, Claims Manager, attended AGRiP Senior Leadership conference. Succession planning was the primary focus of the session.
- August 22, 2017 Electronic Data Interchange (EDI) / Second Report of Injury (SROI) state reporting Procedures.
- August 29, 2017 Hartford Steam Boiler training on policy and procedures regarding Steam Boiler, Mechanical and Electrical losses.



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■ LITIGATION

There are three upcoming trials scheduled in October at the time of this report. Details will be discussed at the September Board of Trustees meeting.

■ MISCELLANEOUS/

MANAGED CARE RFP

Submissions were received by entities seeking to act as NJSIG's managed care provider. The evaluation process is underway. We plan to reach a conclusion based on material submitted, which may include an interview process with each entity.

CAT PREPAREDNESS

In conjunction with our June CAT preparedness sessions with our reinsurers, property appraisers and restoration companies, an article was sent to our NJSIG's members as part of a newsletter providing information on the hurricane season, preparedness and claims reporting.

CLAIMS OUTCOMES

We continue to receive favorable outcomes through the efforts of our Claims Staff. In five cases: Serra vs. Lawrence Township BOE, Rivera vs. Trenton BOE, Rodriquez vs. Perth Amboy BOE, Polk vs Winslow BOE, and Jimenez vs. Union City BOE, our summary judgement motions were granted.

We also achieved a Supreme Court win. In the Jones vs. Morey's Pier/Pleasantech BOE matter, the Supreme Court reversed the denial of our motion for summary judgment. News of this decision has been documented in several recent articles.



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EXTERNAL CLAIMS REVIEW

Munich Re conducted a comprehensive three-day audit of the NJSIG Claims Department focusing on auto liability and general liability claims. The audit was conducted on-site in our Mount Laurel office from Monday, July 17, 2017 through Wednesday July 19, 2017. The audit culminated in a wrap up on Wednesday afternoon. The feedback was positive and constructive. A full summary of the audit results are available upon request.

Tony Ruggeri

Anthony Ruggeri, AIC, ARM, INS
Claims Manager
Email: truggeri@njsig.org



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Munich Re Claims Audit

July 17 – 19, 2017

Munich Re conducted a comprehensive three-day audit of the NJSIG claims department focusing on auto liability and general liability claims. The audit was conducted on-site in our offices in Mount Laurel, New Jersey from Monday July 17 to Wednesday July 19, 2017. The representatives from Munich Re were Karen Bittner and Sharon McDermott.

The audit culminated in a wrap up on Wednesday afternoon. A formal report directly from Munich Re will follow. The feedback was positive and constructive. Some points that were discussed included:

- Many positive changes evident within the Claims Department. Noticeable improvement.
- Changes to process and procedure were Innovative resulting in positive outcomes.
- Claims Roundtable /Claims Committee meetings including counsel and a non-Claims Staff.
- Our counsel assisting with the legal aspects of the file and preparation of motions.
- Supervisor involvement in all files.
- Annual reports contained in all files.
- More in depth accounting of facts, events, details in the claim files.
- Management (Tony Ruggeri, Claims Manager and Sherwin, Claims Supervisor) and adjusters have a good handle on claim status and strategy.
- Good Supervisor /Manager follow up on pertinent issues. Files are up to date.
- It is evident that we are holding defense attorneys accountable for their work and results.
- Proactive follow up with plaintiff attorneys directly to resolve cases.
- New attorneys recently added to our panel and elimination of unproductive counsel.
- Likes our direct follow up with plaintiff attorneys



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Munich Re Audit Summary

July 17-19, 2017

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- Event calendar including dates for trials, arbitrations, mediations, settlement conferences and DED.
- Matter status /Adjudication reports provided monthly by each defense firm.
- Weekly Manager /Supervisor planning meeting, regarding upcoming claims events: trial, mediation arbitrations, settlement conferences etc.
- Spot check reviews, adjusters being held accountable.
- Holding defense attorney accountable by supplying a valuation or pre-trial report and adjuster input.
- Positive feedback on new members of the Claims Team: Sherwin Archibald, Neil Marek, & Kyle Rulon (Claims Trainee program)
- Development of the Claims sub-committee to cover times when there is not a formal Board of Trustees meeting
- Increased settlement authority

Some recommendations were made as well including:

- A coverage category should be added as part of the annual report.
- Include reserve and reserve rationale in the 15-day and annual report.
- When defense counsel provides a valuation, they must provide more of a rationale. Sometimes it is difficult to figure out how defense counsel arrives at the value of the case.
- Image right documents should be separated in folders for quicker and easier access.



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INTERNAL CLAIMS AUDIT 2017

Bill,

Attached please find the final internal audit report. It is a very favorable reflection of the work done by the Claims Team.

Out of 1050 testing attributes, only 39 findings were identified for a score of 96% overall. You will note a huge accomplishment was a positive trend as to reserve redundancy. I believe this is a result of our efforts to make sure reserves reflect true claims exposure.

“Investigation” could stand some improvement but came in at 89% which is good considering our concentration on improving subrogation investigation identified this year. The only lower score was concerning an internal document we have in place for the adjuster to summarize their initial findings on a claim which is in workers’ compensation the “10 day report” and in property/liability the “15 day report.” I thought the auditors making the completion of this form a major attribute was somewhat puzzling. Otherwise, I was pleased with the results.

Please see the results in the table below:

Metric	Calculated Results		Calculated Change	
	FY17	FY16	Difference	Percentage
Financial accuracy rate*	100%	100%	0%	0%
Processing accuracy rate*	96%	100%	-4%	-4%
Reserve redundancy	66%	54%	12%	22%
Span of control: Spv to Adj	4:1	4:1	N/A	N/A
Average pending WC	177	175	2	1%
Average pending liability	130	152	(22)	-14%
Coverage in effect*	100%	100%	0%	0%
Claims entry and assignment*	95%	Unreported	N/A	N/A
Initial contact post-assignment*	97%	98%	-1%	-1%
Investigative procedures*	89%	97%	-8%	-8%
CMS (Medicare) reporting*	100%	100%	0%	0%
Subrogation adherence*	96%	84%	12%	14%
Covered benefits paid*	96%	Unreported	N/A	N/A
Litigation management*	100%	97%	3%	3%
Expert management*	100%	Unreported	N/A	N/A
Reserve policy adherence*	100%	99%	1%	1%
Payment policy adherence*	93%	Unreported	N/A	N/A
Settlement policy adherence*	100%	Unreported	N/A	N/A
Reinsurance reporting*	100%	Unreported	N/A	N/A
File and reporting management*	81%	99%	-18%	-18%

*Calculated based on the random sample results



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Internal Claims Audit 2017

September 20, 2017

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Let me know if you have any questions or if you wish to discuss this further.

Tony

Anthony **Ruggeri**
Claims **Manager**

New Jersey Schools Insurance Group
Self-Insured Pool for Workers' Compensation,
General Liability, Automobile and Property Coverage
Independent Accountants' Report
Period of March 1, 2016 to March 31, 2017
June 20, 2017

New Jersey Schools Insurance Group

Self-Insured Pool for Workers' Compensation,
General Liability, Automobile and Property Coverage

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March 1, 2016 through March 31, 2017

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Independent Accountants' Report

New Jersey Schools Insurance Group

Re: Testing of Self-Insured Pool for Workers' Compensation, General Liability, Automobile and Property Claims

Mountjoy Chilton Medley LLP ("MCM") has performed the procedures enumerated below, which were agreed to by New Jersey Schools Insurance Group ("NJSIG"). This engagement was solely to assist NJSIG in sampling and testing of claims from NJSIG's self-insured pool for workers' compensation, general liability, automobile and property plan for the period of March 1, 2016 through March 31, 2017 ("the Testing Period").

MCM performed testing procedures for a sample of claims to assist NJSIG to: verify school had coverage in effect; verify claim details were entered correctly and assigned timely; ensure initial contact performed timely; determine whether adjuster performed investigative procedures as designed; validate that subrogation procedures performed, when applicable; determine whether claims paid were for covered benefits, as defined; ensure engagement of outside counsel and independent experts were approved with progress monitored; validate performance of reserve, payment and settlement procedures; verify reinsurance reporting process was followed and performed timely; and ensure proper file documentation and timeliness for required reporting.

NJSIG's management is responsible for the accounting and claim records. Our engagement was conducted in accordance with standards set forth in the American Institute of Certified Public Accountants' ("AICPA") Statement on Standards for Consulting Services No. 1. The sufficiency of the procedures is solely the responsibility of NJSIG. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose, including the sampling process. Our engagement was conducted in accordance with the applicable Generally Accepted Auditing Standards as issued by the Auditing Standards Board, a division of the AICPA.

The financial accuracy rate is calculated as the total amount of inaccurate payments divided by the total sample amount paid. The processing accuracy rate is calculated as the number of procedural testing differences divided by the total sample size. Certain testing differences may be a procedural error that impacts the amount paid. As a summary of the procedures performed, MCM identified the following testing differences:

- *Combined Random Sample Results:* MCM identified 39 attributes that had testing differences with no payment impact which resulted in a financial accuracy rate of 100% and a processing accuracy rate of 96.28%. Each of the 75 claims had 14 different attribute sections that were part of the testing procedures.
- *Workers' Compensation Medical Only Random Sample:* MCM identified 2 attributes that had testing differences with no payment impact.
- *Workers' Compensation Medical & Indemnity Random Sample:* MCM identified 19 attributes that had testing differences with no payment impact.

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Independent Accountants' Report (Continued)

- *General Liability Random Sample:* MCM identified 7 attributes that had testing differences with no payment impact.
- *Automobile Random Sample:* MCM identified 9 attributes that had testing differences with no payment impact.
- *Property Random Sample:* MCM identified 2 attributes that had testing differences with no payment impact.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the above referenced information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update this report for events that have occurred subsequent to the date of this report.

This report is intended solely for the information and use of New Jersey Schools Insurance Group and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Muenzger Chilton Madley LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky

June 20, 2017

Independent Accountants' Report (Continued)

Section I: General Procedures Performed

Our procedures, findings and observations, in accordance with the terms of our agreement, dated January 31, 2017, and our planning meetings with key NJSIG personnel, occurring on March 29, 2017, are as follows:

Receipt of Claims Report from NJSIG: MCM obtained the All Lines report comprising of all open and closed claims transactions from NJSIG. The population consisted of all paid and denied claims processed during the Testing Period, not necessarily having an incurred date in the same time period. NJSIG provided the report on the claim level.

Reconciliation of NJSIG Report to Claims File: NJSIG confirmed that the information provided in the All Lines claims report was a complete and accurate representation of the Testing Period. The All Lines claims report provided was determined to be sufficient for sampling based on the procedures performed. MCM converted this report into a claims file for sampling and testing purposes. MCM reconciled the claims file to the totals of the All Lines claims report prior to sampling.

Determination of Sample Size: MCM determined the statistically valid sample ("SVS") size for the NJSIG claims file based on the aggregation of unique claim numbers. There were 6,879 different claim numbers in the claims file. MCM used the Attributes Sample Size Determination function in the RAT-STATS program for statistical analysis to determine the SVS. The RAT-STATS program was created for sampling purposes and is used by the U.S. Government.

MCM used the sampling factors of 90% confidence level with a desired precision range of 10% and an initial anticipated rate of occurrence (error rate) of 5%. The RAT-STATS program calculated a minimum SVS size of 74 claims. NJSIG requested that MCM test one additional claim for sample allocation purposes resulting in a sample size of 75 claims.

Random Sample Selection: MCM removed all claims related to terminated, deceased and record only purposes so that only current adjusters with relevant cases would be selected. MCM and NJSIG used probability proportional sampling to allocate the total samples size on the adjuster level based on the different lines of insurance. MCM selected an independent, random sample for each of these

MCM assigned a unique primary key for each claim and used the random number function in the RAT-STATS program for statistical analysis. The random number selected corresponds to the sample items being tested. The random selection was designed so that each claim in a stratum had the same probability of being selected.

There is an inherent risk when performing sampling procedures. The sufficiency of the sample size used, assessment of the actual error rate, completeness of the population being sampled and the samples being representative of the population should be considered by a user of this report.

The following is a summary of the allocated sample sizes and the random seed numbers generated:

Independent Accountants' Report (Continued)

Section I: General Procedures Performed (Continued)

Random Sample Selection (Continued):

Adjuster	WC Medical Only		WC Medical & Indemnity	
	SVS	Ran Seed #	SVS	Ran Seed #
Sandra Hodge	3	55110.82	-	N/A
Eric Franklin	2	55196.95	2	56983.13
Iesha Crews	2	55267.01	1	62565.03
Linda Smith	1	55328.28	2	62612.58
Ron Henry	1	56511.73	2	62688.17
Thomas Fratantoni	1	56578.61	2	62797.28
Carmela DiBacco	1	56634.52	2	62872.83
Tiffani Jackson	1	56681.46	2	62919.46
Maureen Dempsey	1	56734.13	2	62989.27
Joanna Radomicki	2	56796.28	1	63046.31
Lauren Schmidt	2	56856.06	1	63108.48
Lori Fiore	1	56912.43	2	63160.77
Darlene Kane	-	N/A	3	63255.15
Mike Weiner	-	N/A	3	63306.12
Laurie Lawhon	-	N/A	3	63387.67
	18		28	

Adjuster	General Liability		Automobile		Property	
	SVS	Ran Seed #	SVS	Ran Seed #	SVS	Ran Seed #
William Miller	1	63464.19	1	63545.48	2	63620.91
Lois Mitzelman	1	63762.29	1	63800.16	2	63843.93
Theresa Brewer	1	63909.41	2	63944.71	1	64040.72
Kyle Rulon	2	64140.27	2	64175.67	-	N/A
Ron Huntley	2	79980.93	1	80056.45	2	80128.23
Brian Malawski	1	80247.19	2	80320.08	1	80393.98
Neil Marek	2	80478.44	-	N/A	2	80557.74
	10		9		10	

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing)

MCM performed testing procedures to validate the accuracy of claims adjusters and supervisory review of NJSIG. MCM utilized the prescribed policies and procedures to develop the testing attributes of this claims review engagement. The policy documents provided by NJSIG included the Claim Procedures Manual Revision July 2016, Litigation Guidelines (2016) and NJSIG 2016-2017 Policies-Master. In addition, MCM held onsite interviews with the claims manager, all claims supervisors and other members of management. MCM used all original source documents located in the claims system and document retention system to perform the following tests:

Workers' Compensation Procedures

1. *Coverage in Effect*

- a. Verified that the school identified in the claim had a policy with NJSIG;
- b. Determined that the location where the incident occurred is covered under the policy;
- c. Ensured that the policy was in effect for the insured school; and
- d. Verified through contact with the insured that the claimant was an employee (WC Medical & Indemnity claims).

2. *Claims Entry and Assignment*

- a. Ensured that the claim file contained the QualLynx medical report detailing the medical claim;
- b. Verified that the claim was assigned to an adjuster within one (1) day of receipt;
- c. Ensured that a supervisor was assigned to the claim;
- d. Determined that the correct cause code was assigned to the claim based on the underlying details of causation; and
- e. Verified that an ISO claims search was performed detailing the claimant's history or previously filed claims, where needed.

3. *Initial Contact Post-Assignment*

- a. Verified that an insured acknowledgement letter was mailed within two (2) days of claim assignment; and
- b. Ensured that a medical authorization letter was mailed to the claimant, as needed.

4. *Investigative Procedures*

- a. Ensured that the diary contained supervisor notes detailing the initial direction to the adjuster (WC Medical & Indemnity claims);
- b. Verified that the adjuster contacted the insured within two (2) days of assignment to take their statement related to the claim and employee (WC Medical & Indemnity claims);
- c. Ensured that the insured's initial statement was sufficient for the purposes of performing this investigation (WC Medical & Indemnity claims);
- d. Verified that the adjuster contacted the claimant within two (2) days of assignment to take their statement related to the details of the claim (WC Medical & Indemnity claims);
- e. Ensured that the claimant's initial statement was sufficient for the purposes of performing this investigation (WC Medical & Indemnity claims);
- f. Verified that the adjuster contacted the claimant's counsel when notified of existence, as applicable (WC Medical & Indemnity claims);
- g. Ensured that the adjuster contacted and took the statement of any potential witnesses identified during the performance of this investigation (WC Medical & Indemnity claims);
- h. Ensured that the witness statement was sufficient for the purposes of performing this investigation (WC Medical & Indemnity claims);

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing) (Continued)

Workers' Compensation Procedures (Continued)

4. *Investigative Procedures (Continued)*

- i. Verified that claim was properly closed or transferred to indemnity (WC Medical Only claims);
- j. Determined that the adjuster's diary of notes indicated an estimate of exposure and liability for NJSIG; and
- k. Ensured that the adjuster's diary of notes considered the need to explore potential light duty employment at the insured (WC Medical & Indemnity claims).

5. *CMS (Medicare) Reporting*

- a. Ensured that the adjuster reported the claim to Medicare.

6. *Subrogation Adherence*

- a. Determined that the adjuster's diary of notes contained a review for potential subrogation;
- b. Verified that the adjuster's diary of notes contained details about subrogation, where applicable;
- c. Ensured that the entire subrogation amount was collected, where applicable (WC Medical & Indemnity claims); and
- d. Verified that the manager approved any subrogation collected that was less than the amount owed, where applicable (WC Medical & Indemnity claims).

7. *Covered Benefits Paid*

- a. Determined that the claim occurred during the normal scope of employment; and
- b. Verified that a spoliation letter to retain all evidence was sent or conversation was held with the insured, where applicable.

8. *Litigation Management (WC Medical & Indemnity claims)*

- a. Ensured that the outside counsel retained by NJSIG was an approved vendor, where applicable;
- b. Verified that a detailed invoice of services billed on a per case basis at approved rates was received, where applicable; and
- c. Ensured that the adjuster performed a detail review of the invoice prior to payment, where applicable.

9. *Expert Management (WC Medical & Indemnity claims)*

- a. Ensured that all independent investigators retained by NJSIG performing onsite investigations and surveillance was an approved vendor, where applicable;
- b. Verified that the use of an independent investigator was authorized by the supervisor;
- c. Determined that the adjuster performed follow-up checks with the independent investigator every six (6) to twelve (12) months for permanent and long-term cases; and
- d. Ensured that the adjuster documents progress of the independent investigation in the diary of notes.

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing) (Continued)

Workers' Compensation Procedures (Continued)

10. *Reserve Policy Adherence*

- a. Ensured that an initial reserve amount was set for the claim;
- b. Verified that the reserve was increased as necessary based on the details of the investigation; and
- c. Ensured that the reserve amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceeds their respective authority levels.

11. *Payment Policy Adherence*

- a. Ensured that a compensability analysis was performed prior to payment (WC Medical & Indemnity claims);
- b. Ensured claimant returned to work within 8 days or was transferred to indemnity (WC Medical Only claims);
- c. Verified that all medical bills were approved for payment within ten (10) days of receiving the invoice;
- d. Verified that the initial indemnity payment was paid within twenty-one (21) days of claim assignment (WC Medical & Indemnity claims);
- e. Ensured that a loss wages calculation is performed at 70% of the weekly salary, where applicable (WC Medical & Indemnity claims);
- f. Verified that the correct factors were used to calculate the cost of permanent disability, where applicable (WC Medical & Indemnity claims);
- g. Ensured that the files contain a treatment plan that supports the claimant being permanently disabled, where applicable (WC Medical & Indemnity claims);
- h. Ensured that the payment amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceeds their respective authority levels; and
- i. Verified that the claim does not include the payment of any duplicated costs.

12. *Settlement Policy Adherence (WC Medical & Indemnity claims)*

- a. Ensured that the file contains notes detailing the negotiation;
- b. Verified that NJSIG performed a formal attorney notification; and
- c. Ensured that the settlement amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceed their respective authority levels.

13. *Reinsurance Reporting (WC Medical & Indemnity claims)*

- a. Verified that NJSIG immediately notified the reinsurer for claims with an expected cost of at least 50% of the retention level; and
- b. Ensured that all payments exceeding the retention level were reported to and collected from the reinsurer.

14. *File and Reporting Management (WC Medical & Indemnity claims)*

- a. Ensured that the adjuster completed a ten (10) day report detailing an initial summary of the case;
- b. Verified that the report was of sufficient quality consisting of details regarding the coverage, occurrence, compensability acceptance or denial, injury, subrogation, follow-up plan of action and reserve. The quality of a particular detail was tested only if the adjuster considered that detail during their investigation;
- c. Ensured that the adjuster updated the file for any significant changes after completion of the report; and
- d. Determined if the adjuster is actively working the case with follow-up no longer than ninety (90) days.

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing) (Continued)

Liability Procedures

1. *Coverage in Effect*

- a. Verified that the school identified in the claim had a policy with NJSIG;
- b. Determined that the location where the incident occurred is covered under the policy; and
- c. Ensured that the policy was in effect for the insured school.

2. *Claims Entry and Assignment*

- a. Ensured that the claim file contained the accord or email detailing the claim submission;
- b. Verified that the claim was assigned to an adjuster within one (1) day of receipt;
- c. Ensured that a supervisor was assigned to the claim; and
- d. Verified that the insured's declaration page(s) from its policy was included in the claims file.

3. *Initial Contact Post-Assignment*

- a. Verified that an insured acknowledgement letter was mailed within two (2) days of claim assignment.

4. *Investigative Procedures*

- a. Verified that the adjuster contacted the insured within two (2) days of assignment to take their statement related to the claim;
- b. Ensured that the insured's initial statement was sufficient for the purposes of performing this investigation;
- c. Verified that the adjuster contacted the claimant to take their statement related to the details of the claim (General Liability and Automobile claims);
- d. Ensured that the claimant's initial statement was sufficient for the purposes of performing this investigation (General Liability and Automobile claims);
- e. Ensured completion of various internal reporting forms, including the notice of claim form, claimant questionnaire, student incident report and school bus accident report, where applicable;
- f. Obtained police report for corroboration with the claimant's details (Automobile);
- g. Obtained claimant's insurance declaration for consideration of other insurance liability (Automobile);
- h. Obtained proof of loss as completed by the insured and reported in a timely manner (Property);
- i. Obtained the necessary estimate of damages, including from an independent assessor assigned by NJSIG, for verification of the summary of damages owed (General Liability and Automobile);
- j. Assigned independent appraiser timely to verify damages, determine cause of loss, estimate damages and prepare a statement of loss (Property);
- k. Ensured that the adjuster contacted and took the statement of any potential witnesses identified during the performance of this investigation (General Liability and Automobile);
- l. Ensured that the witness statement was sufficient for the purposes of performing this investigation (WC medical & indemnity claims); and
- m. Performed any special procedures as dictated by the details of the claim, such as performance of a claims history search on the claimant and medical review analysis.

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing) (Continued)

Liability Procedures (Continued)

5. *CMS (Medicare) Reporting*

- a. Ensured that the adjuster reported the claim to Medicare.

6. *Subrogation Adherence*

- a. Determined that the adjuster's diary of notes contained a review for potential subrogation;
- b. Verified that the adjuster's diary of notes contained details about subrogation, where applicable;
- c. Ensured that the entire subrogation amount was collected, where applicable; and
- d. Verified that the manager approved any subrogation collected that was less than the amount owed, where applicable.

7. *Covered Benefits Paid*

- a. Verified that the claim occurred in a covered vehicle or on the premises of the insured;
- b. Ensured that the cause of the claim was reasonably covered under the policy;
- c. Determined that the claim occurred during the normal scope of employment (Automobile); and
- d. Verified that a spoliation letter to retain all evidence was sent or conversation was held with the insured, where applicable.

8. *Litigation Management*

- a. Ensured that the outside counsel retained by NJSIG was an approved vendor, where applicable;
- b. Verified that a detailed invoice of services billed on a per case basis at approved rates was received, where applicable; and
- c. Ensured that the adjuster performed a detail review of the invoice prior to payment, where applicable.

9. *Expert Management*

- a. Ensured that all independent investigators retained by NJSIG performing onsite investigations and surveillance was an approved vendor, where applicable;
- b. Verified that the use of an independent investigator was authorized by the supervisor; and
- c. Ensured that the adjuster documents progress of the independent investigation in the diary of notes.

10. *Reserve Policy Adherence*

- a. Ensured that an initial reserve amount was set for the claim;
- b. Verified that the reserve was increased as necessary based on the details of the investigation; and
- c. Ensured that the reserve amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceeds their respective authority levels.

Independent Accountants' Report (Continued)

Section II: Claims Accuracy Procedures (Random Sample Testing) (Continued)

Liability Procedures (Continued)

11. *Payment Policy Adherence*

- a. Ensured that a compensability analysis was performed prior to payment;
- b. Verified that all medical bills were approved for payment within ten (10) days of receiving the invoice (General Liability and Automobile);
- c. Verified that the initial indemnity payment was paid within twenty-one (21) days of claim assignment (General Liability and Automobile);
- d. Ensured that the insured's deductible and depreciation, where applicable, were applied as a reduction to the damages (Property);
- e. Ensured that the payment amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceeds their respective authority levels;
- f. Verified that the payment amount did not exceed the notice of damages from the claimant, the appraiser's estimate of damages or the limits per the insured's declaration; and
- g. Verified that the claim does not include the payment of any duplicated costs.

12. *Settlement Policy Adherence*

- a. Ensured that the file contains notes detailing the negotiation;
- b. Verified that NJSIG performed a formal attorney notification; and
- c. Ensured that the settlement amount(s) were approved by the adjuster, supervisor or manager based on whether the amount exceed their respective authority levels.

13. *Reinsurance Reporting*

- a. Verified that NJSIG immediately notified the reinsurer for claims with an expected cost of at least 50% of the retention level; and
- b. Ensured that all payments exceeding the retention level were reported to and collected from the reinsurer.

14. *File and Reporting Management*

- a. Ensured that the adjuster completed a fifteen (15) day report detailing an initial summary of the case;
- b. Verified that the report was of sufficient quality consisting of details regarding the coverage, occurrence, compensability acceptance or denial, injury, subrogation, follow-up plan of action and reserve. The quality of a particular detail was tested only if the adjuster considered that detail during their investigation;
- c. Ensured that the adjuster updated the file for any significant changes after completion of the report; and
- d. Determined if the adjuster is actively working the case with follow-up no longer than ninety (90) days.

Independent Accountants' Report (Continued)

Section III: Summary of Performance Metrics

Summary of Operating Metrics:

Metric	Calculated Results		Calculated Change	
	FY17	FY16	Difference	Percentage
Financial accuracy rate*	100%	100%	0%	0%
Processing accuracy rate*	96%	100%	-4%	-4%
Reserve redundancy	66%	54%	12%	22%
Span of control: Spv to Adj	4:1	4:1	N/A	N/A
Average pending WC	177	175	2	1%
Average pending liability	130	152	(22)	-14%
Coverage in effect*	100%	100%	0%	0%
Claims entry and assignment*	95%	Unreported	N/A	N/A
Initial contact post-assignment*	97%	98%	-1%	-1%
Investigative procedures*	89%	97%	-8%	-8%
CMS (Medicare) reporting*	100%	100%	0%	0%
Subrogation adherence*	96%	84%	12%	14%
Covered benefits paid*	96%	Unreported	N/A	N/A
Litigation management*	100%	97%	3%	3%
Expert management*	100%	Unreported	N/A	N/A
Reserve policy adherence*	100%	99%	1%	1%
Payment policy adherence*	93%	Unreported	N/A	N/A
Settlement policy adherence*	100%	Unreported	N/A	N/A
Reinsurance reporting*	100%	Unreported	N/A	N/A
File and reporting management*	81%	99%	-18%	-18%

*Calculated based on the random sample results

Random Sample Results: MCM selected an independent and objective statistically valid random sample to validate the adherence to NJSIG's proscribed procedures manual. See below for a summary of the sample results by line of business and supervisor. See Appendix A for a detailed analysis of the sample results by testing attribute for each claims adjuster.

Line of Business	# of Claims	Total Tested Attributes	# of Findings	Total Sample Amount Paid	Over (Under) Payments	Financial Error Rate	Processing Error Rate
Workers' Compensation Medical Only	18	252	2	\$ 28,349	\$ -	0.00%	0.19%
Workers' Compensation Medical & Indemnity	28	392	19	253,895	-	0.00%	1.81%
General Liability	10	140	7	3,336	-	0.00%	0.67%
Automobile	9	126	9	3,552	-	0.00%	0.86%
Property	10	140	2	245,387	-	0.00%	0.19%
	<u>75</u>	<u>1,050</u>	<u>39</u>	<u>\$ 534,519</u>	<u>\$ -</u>	<u>0.00%</u>	<u>3.72%</u>

Supervisor	# of Claims	Total Tested Attributes	# of Findings	Total Sample Amount Paid	Over (Under) Payments	Financial Error Rate	Processing Error Rate
Joan Madden	12	168	2	\$ 11,622	\$ -	0.00%	0.19%
Connie Rogers	12	168	2	63,053	-	0.00%	0.19%
Ellen Shaw	13	182	7	156,577	-	0.00%	0.67%
Karen Olsen	9	126	10	50,992	-	0.00%	0.95%
Liability Claims (Various)	29	406	18	252,275	-	0.00%	1.72%
	<u>75</u>	<u>1,050</u>	<u>39</u>	<u>\$ 534,519</u>	<u>\$ -</u>	<u>0.00%</u>	<u>3.72%</u>

Independent Accountants' Report (Continued)

Section III: Summary of Performance Metrics (Continued)

Claims Adjuster	# of Claims	Total Tested Attributes	# of Findings	Workers' Compensation Summary of Errors by Testing Section					
				Coverage	Claims Entry	Initial Contact	Investigation	CMS Reporting	Subrogation
Sandra Hodge	3	42	-	-	-	-	-	-	-
Eric Franklin	4	56	4	-	-	1	2	-	-
Iesha Crews	3	42	1	-	-	-	-	-	-
Linda Smith	3	42	6	-	-	-	-	2	-
Ron Henry	3	42	-	-	-	-	-	-	-
Thomas Fratantoni	3	42	-	-	-	-	-	-	-
Carmela DiBacco	3	42	4	-	-	-	1	-	1
Tiffani Jackson	3	42	1	-	-	-	1	-	-
Maureen Dempsey	3	42	1	-	-	-	1	-	-
Joanna Radomicki	3	42	-	-	-	-	-	-	-
Lauren Schmidt	3	42	1	-	-	-	-	-	-
Lori Fiore	3	42	1	-	-	-	-	-	-
Darlene Kane	3	42	-	-	-	-	-	-	-
Mike Weiner	3	42	-	-	-	-	-	-	-
Laurie Lawhon	3	42	2	-	-	1	-	-	-
46	644	21	-	-	2	5	2	1	

Claims Adjuster	Workers' Compensation Summary of Errors by Testing Section								
	Covered Benefits	Litigation Mgmt	Expert Mgmt	Reserves	Payments	Settlements	Reinsurance	Reporting	
Sandra Hodge	-	-	-	-	-	-	-	-	
Eric Franklin	-	-	-	-	-	-	-	1	
Iesha Crews	-	-	-	-	1	-	-	-	
Linda Smith	-	-	-	-	2	-	-	2	
Ron Henry	-	-	-	-	-	-	-	-	
Thomas Fratantoni	-	-	-	-	-	-	-	-	
Carmela DiBacco	-	-	-	-	1	-	-	1	
Tiffani Jackson	-	-	-	-	-	-	-	-	
Maureen Dempsey	-	-	-	-	-	-	-	-	
Joanna Radomicki	-	-	-	-	-	-	-	-	
Lauren Schmidt	-	-	-	-	1	-	-	-	
Lori Fiore	-	-	-	-	-	-	-	1	
Darlene Kane	-	-	-	-	-	-	-	-	
Mike Weiner	-	-	-	-	-	-	-	-	
Laurie Lawhon	-	-	-	-	-	-	-	1	
-	-	-	-	-	5	-	-	6	

Independent Accountants' Report (Continued)

Section III: Summary of Performance Metrics (Continued)

Claims Adjuster	# of Claims	Total Tested Attributes	# of Findings	Liability Summary of Errors by Testing Section					
				Coverage	Claims Entry	Initial Contact	Investigation	CMS Reporting	Subrogation
William Miller	4	56	1	-	-	-	-	-	-
Lois Mitelman	4	56	2	-	-	-	-	-	-
Theresa Brewer	4	56	4	-	1	-	1	-	-
Kyle Rulon	4	56	3	-	2	-	-	-	-
Ron Huntley	5	70	3	-	-	-	-	-	-
Brian Malawski	4	56	5	-	1	-	2	-	-
Neil Marek	4	56	-	-	-	-	-	-	-
	<u>29</u>	<u>406</u>	<u>18</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>

Claims Adjuster	Liability Summary of Errors by Testing Section							
	Covered Benefits	Litigation Mgmt	Expert Mgmt	Reserves	Payments	Settlements	Reinsurance	Reporting
William Miller	1	-	-	-	-	-	-	-
Lois Mitelman	-	-	-	-	-	-	-	2
Theresa Brewer	-	-	-	-	-	-	-	2
Kyle Rulon	-	-	-	-	-	-	-	1
Ron Huntley	2	-	-	-	-	-	-	1
Brian Malawski	-	-	-	-	-	-	-	2
Neil Marek	-	-	-	-	-	-	-	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</u>