



New Jersey Schools Insurance Group

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Burlington, New Jersey 08016
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www.njsig.org

Board of Trustees Meeting of June 17, 2015

Action Item

Regional Risk Managers, LLC (NJEIF) – Sub Fund Administrator Contract

Attached is the proposed sub fund administrator contract between NJSIG and Regional Risk Managers, LLC for the North Jersey Educational Insurance Fund (NJEIF). It has been reviewed by Archer & Greiner.

Recommended Resolution: Approve the attached NJEIF contract between NJSIG and Regional Risk Managers, LLC for the period of 7/1/15 to 6/30/18.

William Mayo

William Mayo, CPCU, ARM
Executive Director



New Jersey School Boards Association Insurance Group

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June 11, 2015

Regional Risk Managers, LLC
777 Terrace Avenue 3rd Floor, Suite 309
Hasbrouck Heights, NJ 07604

RE: North Jersey Educational Insurance Fund (NJEIF)
Contract to be effective as of July 1, 2015 (the ~~%~~Effective Date~~→~~)

Dear Mr. Zisa:

This contract sets forth the 2015-2018 agreement between NJSIG and Regional Risk Managers relative to the operations of the NJSIG sub fund NJEIF. This contract is set to expire on June 30, 2018, at which time new negotiations should take place in order to execute any replacement contract.

I. Objective

To facilitate the operation of NJEIF - a regionalized joint insurance fund- which will function in Hudson, Bergen and Essex counties. NJEIF will concentrate on regional insurance and risk management issues, resulting in membership with improved risk characteristics, more loyalty and less sensitivity to price.

II. Core Organizational Competencies

With respect to Regional Risk Managers, your existing relationship and book of business in Hudson, Bergen and Essex counties together with your marketing infrastructure and expertise. Membership in NJEIF will be limited to districts located within the aforementioned counties.

With respect to NJSIG, proven joint insurance fund program management and marketing infrastructure, our functional expertise in claims and loss control, and, as an existing School Board Insurance Group, our ability to bring instantaneous critical mass to NJEIF which will operate pursuant to Article XI (E) of NJSIG's bylaws.

III. Organizational Qualifications

- A. Regional Risk Managers, will to the extent consistent with the best interests of its customers, use its best efforts to submit as much of the following types of business to NJEIF as possible: Workers Compensation, Package, Umbrella or Errors and Omissions.
- B. The term of this Agreement shall begin on the Effective Date and continue through June 30, 2018. All coverages applicable to such member districts and placed in the NJEIF sub fund shall have premiums determined by NJSIG based on the 2014, 2015, and 2016 actuarial studies for these districts. There will be no rate locks on Workers Compensation, Package, Errors & Omissions and Umbrella policies.

- C. The parties agree that the project may be reassessed during the term by NJSIG as to objectives, performance, monetary considerations, etc. The parties further agree that following any such reassessment either party may terminate this agreement by giving 120 days written notice of termination to the other party. It is expressly understood that NJEIF will continue with existing members until such time as all policy terms of NJEIF membership have expired. Regional Risk Managers will not be entitled to any compensation after the termination of this agreement (with the exception of amounts accruing prior to the effective date of termination); however Regional Risk Managers will be required to complete services with respect to those member school district policies for which it has been paid. Regional Risk Managers will be entitled to receive standard compensation, as specified in NJSIG's then current Risk Management Fee Policy, on the accounts of those member school districts it has placed with the NJSIG for however long each such district has named Regional Risk Managers as its broker of record and remains with the NJSIG.
- D. NJSIG can terminate this agreement in the event of a default by Regional Risk Managers by providing Regional Risk Managers thirty (30) days advanced written notice specifying the default, provided Regional Risk Managers does not cure the default within such thirty (30) day period.

IV. Marketing

- A. With respect to each organization's current clients, it is agreed that upon the effective date of this agreement, there will be joint marketing by both of our organizations to build NJEIF's membership with public school clients.
- B. Both organizations will market directly and through agents to prospective accounts in Hudson, Bergen and Essex counties. Close coordination will be accomplished in order to maximize productivity.
- C. All new prospect public school districts marketed by either NJSIG or Regional Risk Managers will be strongly considered for inclusion within NJEIF (according to the territories defined). NJSIG may deny any district a quotation that has unacceptable loss experience.

V. Administration

- A. An advisory board for NJEIF will be established by the NJEIF members in accordance with then current NJSIG policy on sub fund committees.
- B. There will be no rating or quoting authority given to Regional Risk Managers. No proposal for coverage shall be released to a prospective member of NJEIF unless formally approved and provided by NJSIG. Policy issuance will be accomplished by NJSIG then disseminated through Regional Risk Managers, for those specific districts for which Regional Risk Managers has been named as the current broker of record.

- C. Billing . NJSIG will source all billing and bill directly to NJSIG members.
- D. Accounting . Organizationally through NJSIG Accounting Department.
- E. Customer Service Functions . Regional Risk Managers, and NJSIG jointly.
- F. Annual Marketing Meeting . Accomplished on a joint basis. Regional Risk Managers, shall contribute its share of entertainment expenses, (such as NJSIG Reception at NJSBA Convention) as reasonably determined by NJSIG.
- G. Marketing- Regional Risk Managers, shall market the NJEIF program by means of mass mailings, through business contacts, developing and maintaining NJEIF brochures, soliciting prospective schools and/or agencies to further develop/grow the NJEIF sub fund.
- H. Loss Control Services . NJSIG to accomplish with the assistance of Regional Risk Managers. It is the collective commitment of the Fund Manager and NJSIG to provide specialized, dedicated Loss Control and ancillary support services to the NJEIF participants.
- I. Reinsurance Placements/Review - Per NJSIG guidelines.
- J. Investment Management- Per NJSIG guidelines.
- K. State Reporting . NJSIG
- L. Actuarial Consulting . NJSIG
- M. Claims . NJSIG
- N. Claims Reporting - Regional Risk Managers and/or Fund members directly through their Brokers.
- O. Fund Manager Services - Regional Risk Managers

VI. Regional Risk Managers Compensation

New/Renewal Business Brokered by Regional Risk Managers

- A. Where Regional Risk Managers is named as the current broker of record by the member school district, Regional Risk Managers will receive the commission as specified in NJSIG's then current Risk Management Fee Policy. This commission will be paid by the member districts as a gross figure (additive to the net premium). Full disclosure of commissions or fees to the member school district is the responsibility of Regional Risk Managers. All new business submissions will be subject to the NJSIG then current Risk Management Fee Policy.

- B. All compensation is based on premiums payable in full on receipt of invoice, with the exception of Workersq Compensation which is payable in twelve equal monthly installments as offered by NJSIG.

New Business Brokered by Other than Regional Risk Managers

- C. Regional Risk Managers will receive 2% of the aggregate net premium for all business placed by a broker other than Regional Risk Managers in NJEIF, as an administrative fee. Such fee shall apply to the 2015-2018 contract period.

%Qualified Lines of Coverage+ means all NJSIG coverage policies with the exception of supplemental indemnity, student accident, builders risk policies, excess workersqcompensation and environmental/pollution.

- D. For each contract year from July 1, 2015 to June 30, 2018, if aggregate net premiums in NJEIF in the contract year is equal to or greater than that in NJEIF in the prior 12 months, Regional Risk Managers shall be entitled to receive: (i) a Loss Sensitivity Contingency as calculated pursuant to Section VI.F below; and (ii) an additional fee equal to one percent (1%) of the aggregate net premiums in NJEIF in such contract year.

For purposes of determining whether aggregate net premiums in NJEIF in a contract year is equal to or greater than that in the prior 12 months: (i) subject to the adjustment in subsection D(ii) below, the actual aggregate net premiums in NJEIF in the prior 12 months, will be compared to the aggregate net premiums in NJEIF in the contract year at issue calculated using the rates applicable in the prior 12 months rather than the rates applicable in such contract year; and (ii) for purposes of such comparison, any loss of a memberq entire business shall be calculated at the lesser of: (a) the memberq actual net premiums in the prior 12 months; or (B) the average actual net premiums of members in NJEIF in the prior 12 months. In the event that aggregate net premiums in NJEIF in a contract year is less than that in NJEIF in the prior 12 months, Regional Risk Managers shall only be entitled to receive fifty percent (50%) of the Loss Sensitivity Contingency otherwise payable in such contract year to Regional Risk Managers pursuant to Section VI.F below. For purposes of this subsection (D), business lost under either of the following circumstances shall not be considered lost business for purposes of the foregoing calculations: (i) business lost as a result of NJSIG deciding not to renew the business; or (ii) business lost as a result of a district dissolving.

- E. All administrative compensation will be paid to Regional Risk Managers. Administrative compensation, other than Loss Sensitive Contingency Compensation, will be determined and payable on or about July 1st of each year, with Loss Sensitive Contingency Compensation payable on or about July 1st following the calendar year for which the loss sensitive contingency is being calculated. Administrative compensation will not be paid on any account for which a signed NJEIF and NJSIG resolution and indemnity and trust agreement is not on file, or on any account whose business is written in any other existing sub fund. Signed resolutions and indemnity and trust agreements should be submitted to the NJSIG offices within 60 days of the policy effective date.

Loss Sensitive Contingency

- F. Regional Risk Managers is eligible during each fiscal year, to receive an additional contingency commission based on the loss ratios of books of business of Regional Risk Managers in NJEIF for any lines of coverage that are not fully reinsured. The loss ratio is determined each year as of December 31st following the year for which the additional contingency commission is being calculated. The agency's total developed losses are calculated, by line of business, using the Group's actuaries's selected Loss Development Factors. The total developed losses are then divided by the total net written premiums of the agency (net of commissions) for the subject year to determine the loss ratio for the subject year. Net written premiums is defined as written premiums net of commissions and reinsurance. Net premiums do not include audits, but do include endorsement booked during the subject year. At the end of the contract year, the loss ratio shall be recalculated and 33.3% of the contingency commission due and owing based on such loss ratio (pursuant to the schedule below, shall be paid to Regional Risk Managers. At the end of the contract year, the loss ratio shall be calculated, and the difference between contingency commission due and owing based on such loss ratio, and the contingency commissions paid to Regional Risk Managers. Pursuant to its contract with NJSIG related to NJEIF in the two (2) years prior to this agreement, shall be paid to Regional Risk Managers.

Each year the contingency shall be calculated based upon a profitable book of business. The calculation in the second and third year will only be conducted on accounts, and their respective lines of business, that are still insured with NJSIG. Contingency percentage factors will be based on the following:

Greater than 85%	0% Contingency
75-85%	1% Contingency
65-75%	2% Contingency
Less than 65%	2.5% Contingency

G. Compensation Cap. Notwithstanding any provision of this agreement to the contrary, in no event shall the aggregate compensation payable to Regional Risk Managers in any contract year of this Agreement exceed two and one-half percent (2½%) of the aggregate net premiums in NJEIF in such contract year. To the extent such aggregate compensation exceeds such amount in the first or second year of this agreement, the excess may be carried over and payable in the following year of the agreement, again subject to the compensation cap described above. In the event that compensation payable to Regional Risk Managers in the third year of this Agreement exceeds the cap, the excess shall be forfeited and shall not be payable to Regional Risk Managers.

VII. Miscellaneous

Regional Risk Managers and NJSIG agree that, during the term of this agreement and for a period of two years following the expiration or termination of this agreement, neither NJSIG nor Regional Risk Managers (or any of its affiliated organizations including Regional Risk Managers. (~~%Affiliates+~~) will directly or indirectly solicit any members brought into NJEIF by the other. No portion of the property/casualty or Workers Compensation coverage for any account written by a broker/agent, who placed coverage through NJEIF, will be marketed to any other carrier by Regional Risk Managers or its Affiliates, nor shall Regional Risk Managers or its Affiliates replace any incumbent agent as Broker of Record during or for the term of such coverage written by such broker/agent through NJEIF. Notwithstanding the foregoing, Regional Risk Managers may replace an incumbent agent as Broker of Record for a School District in the NJEIF sub fund, provided that: (i) Regional Risk Managers was the Broker of Record for that School District immediately prior to the incumbent agent it is replacing, and (ii) Regional Risk Managers replaces that incumbent agent within three (3) years of the date the incumbent agent replaced it on such account.

Regional Risk Managers acknowledges and agrees that as a sub fund manager under and pursuant to the NJEIF Contract, neither it nor its Affiliates will seek to obtain or accept a Broker of Record designation change through NJSIG on a Member School District account for which another sub fund manager is currently the Broker of Record placing the coverage with NJSIG. Where a sub fund administrator is the broker of record on a school district and places only parts of or none of the coverage lines with NJSIG, the portion of Coverage not placed with NJSIG does not apply to the provision above. NJSIG acknowledges and agrees that it will not seek to obtain or accept a Broker of Record designation change from any sub fund manager on an account for which Regional Risk Managers is the Broker of Record on the coverage lines presently placed with NJSIG.

VIII. Compliance with Law

Each party will comply with all appropriate laws and regulations in its performance under this agreement.

IX. Indemnification

Regional Risk Managers will indemnify, defend and hold harmless NJSIG from any and all claims, liabilities, losses and expenses (including but not limited to reasonable attorney fees) arising from or related to any breach of this agreement by Regional Risk Managers or any negligent, reckless, or willful acts or omissions by Regional Risk Managers.

NJSIG will indemnify, defend and hold harmless Regional Risk Managers from any and all claims, liabilities, losses and expenses (including but not limited to reasonable attorney fees) arising from or related to any breach of this agreement by NJSIG or any negligent, reckless, or willful acts or omissions by NJSIG.

X. No Assignment or Delegation

Neither party may assign this agreement or delegate any of its obligations hereunder without the prior consent of the other party. For purposes of this agreement, an assignment includes a change in the majority ownership of a party.

XI. Entire Agreement

This agreement including any addenda hereto sets forth the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, arrangements, and understandings, written or oral, relating to the subject matter hereof. This agreement may be amended only by written instrument executed by both parties.

XII. Governing Law

This agreement is governed by and shall be construed in accordance with the laws of the State of New Jersey.

Sincerely,

William M. Mayo, CPCU, ARM
Executive Director

Letter to Regional Risk Managers

June 11, 2015

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Agreed:

By:_____

CC:

Mark Sever- Archer & Greiner, One Centennial Square, Haddonfield, NJ 08033

NJSIG

Kelly Machu, Underwriting Manager

Debra Rice, Sr. Technical Specialist

ADDENDUM A
CUSTOMER SERVICE FUNCTIONS

1. Completing renewal applications . Regional Risk Managers where named as the current broker of record by member school district.
2. Processing endorsement requests . NJSIG
3. Premium collection . NJSIG
4. Processing insurance certificate requests . NJSIG and Regional Risk Managers (for clients of Regional Risk Managers only and evidence only)
5. Purchasing and preparing sub fund brochures . Regional Risk Managers
6. Organizing, conducting and paying expenses for periodic meetings with NJEIF members . Regional Risk Managers
7. Policy deliverance . NJSIG
8. Conducting field visits to member districts . Regional Risk Managers and NJSIG

Definitions

Existing Regional Risk Managers shall mean school boards who have named Regional Risk Managers as their current broker of record.

Existing NJSIG Business Non-Brokered shall mean school boards, which are members of NJSIG, and have no named brokers of record.

New Business-Brokered shall mean school boards which join NJEIF who have brokers of record other than Regional Risk Managers.

New Business- Non Brokered shall mean school boards who join NJEIF, but do not have a named broker of record or are otherwise ~~direct~~.

New Business- Regional Risk Managers shall mean school boards who join NJSIG and have currently named Regional Risk Managers as their broker of record.