



New Jersey Schools Insurance Group

450 Veterans Drive
Burlington, New Jersey 08016
(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of June 17, 2015

Action Item

J. Byrne Agency (CAIP) – Sub Fund Administrator Contract

Attached is the proposed sub fund administrator contract between NJSIG and J. Byrne Agency for the Cape and Atlantic Insurance Pool (CAIP). It has been reviewed by Archer & Greiner.

Recommended Resolution: Approve the attached CAIP contract between NJSIG and J. Byrne Agency for the period of 7/1/15 to 6/30/18.

William Mayo

William Mayo, CPCU, ARM
Executive Director



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June 11, 2015

J. Byrne Agency
5200 New Jersey Avenue, P.O. Box 1409
Wildwood City, NJ 08260

RE: Cape and Atlantic Insurance Pool (CAIP)
Contract to be effective as of July 1, 2015 (the ~~%~~Effective Date~~+~~)

Dear Mr. Byrne:

This contract sets forth the 2015-2018 agreement between NJSIG and J. Byrne Agency relative to the operations of the NJSIG sub fund CAIP. 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 CAIP - a regionalized joint insurance fund- which will function in Cape May and Atlantic counties. CAIP 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 J. Byrne Agency, your existing relationship and book -of-business in Cape May and Atlantic counties together with your marketing infrastructure and expertise. Membership in CAIP 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 CAIP which will operate pursuant to Article XI (E) of NJSIG's bylaws.

III. Organizational Qualifications

- A. J. Byrne Agency, 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 CAIP as possible: WorkersqCompensation, 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 CAIP 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 WorkersqCompensation, 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 CAIP will continue with existing members until such time as all policy terms of CAIP membership have expired. J. Byrne Agency 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 J. Byrne Agency will be required to complete services with respect to those member school district policies for which it has been paid. J. Byrne Agency 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 J. Byrne Agency as its broker of record and remains with the NJSIG.

NJSIG can terminate this agreement in the event of a default by J. Byrne Agency by providing J. Byrne Agency thirty (30) days advanced written notice specifying the default, provided J. Byrne Agency 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 CAIP's membership with public school clients.
- B. Both organizations will market directly and through agents to prospective accounts in Cape May and Atlantic counties. Close coordination will be accomplished in order to maximize productivity.
- C. All new prospect public school districts marketed by either NJSIG or J. Byrne Agency will be strongly considered for inclusion within CAIP (according to the territories defined). NJSIG may deny any district a quotation that has unacceptable loss experience.

V. Administration

- A. An advisory board for CAIP will be established by the CAIP members in accordance with then current NJSIG policy on sub fund committees.
- B. There will be no rating or quoting authority given to J. Byrne Agency. No proposal for coverage shall be released to a prospective member of CAIP unless formally approved and provided by NJSIG. Policy issuance will be accomplished by NJSIG then disseminated through J. Byrne Agency, for those specific districts for which J. Byrne Agency 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 . J. Byrne Agency, and NJSIG jointly.
- F. Annual Marketing Meeting . Accomplished on a joint basis. J. Byrne Agency, shall contribute its share of entertainment expenses, (such as NJSIG Reception at NJSBA Convention) as reasonably determined by NJSIG.
- G. Marketing- J. Byrne Agency, shall market the CAIP program by means of mass mailings, through business contacts, developing and maintaining CAIP brochures, soliciting prospective schools and/or agencies to further develop/grow the CAIP sub fund.
- H. Loss Control Services . NJSIG to accomplish with the assistance of J. Byrne Agency. It is the collective commitment of the Fund Manager and NJSIG to provide specialized, dedicated Loss Control and ancillary support services to the CAIP 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 - J. Byrne Agency and/or Fund members directly through their Brokers.
- O. Fund Manager Services - J. Byrne Agency

VI. J. Byrne Agency Compensation

New/Renewal Business Brokered by J. Byrne Agency

- A. Where J. Byrne Agency is named as the current broker of record by the member school district, J. Byrne Agency 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 J. Byrne Agency. 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 J. Byrne Agency

- C. J. Byrne Agency will receive 2% of the aggregate net premium for all business placed by a broker other than J. Byrne Agency in CAIP, as an administrative fee. Such fee shall 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 CAIP in the contract year is equal to or greater than that in CAIP in the prior 12 months, J. Byrne Agency 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 CAIP in such contract year.

For purposes of determining whether aggregate net premiums in CAIP 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 CAIP in the prior 12 months, will be compared to the aggregate net premiums in CAIP 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 CAIP in the prior 12 months. In the event that aggregate net premiums in CAIP in a contract year is less than that in CAIP in the prior 12 months, J. Byrne Agency shall only be entitled to receive fifty percent (50%) of the Loss Sensitivity Contingency otherwise payable in such contract year to J. Byrne Agency 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 J. Byrne Agency. 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 CAIP 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. J. Byrne Agency is eligible during each fiscal year, to receive an additional contingency commission based on the loss ratios of books of business of J. Byrne Agency in CAIP 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 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 J. Byrne Agency. 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 J. Byrne Agency. Pursuant to its contract with NJSIG related to CAIP in the two (2) years prior to this agreement, shall be paid to J. Byrne Agency.

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 J. Byrne Agency in any contract year of this Agreement exceed two and one-half percent (2½%) of the aggregate net premiums in CAIP 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 J. Byrne Agency in the third year of this Agreement exceeds the cap, the excess shall be forfeited and shall not be payable to J. Byrne Agency.

VII. Miscellaneous

J. Byrne Agency 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 J. Byrne Agency (or any of its affiliated organizations including J. Byrne Agency. (~~%Affiliates+~~) will directly or indirectly solicit any members brought into CAIP by the other. No portion of the property/casualty or WorkersqCompensation coverage for any account written by a broker/agent, who placed coverage through CAIP, will be marketed to any other carrier by J. Byrne Agency or its Affiliates, nor shall J. Byrne Agency 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 CAIP. Notwithstanding the foregoing, J. Byrne Agency may replace an incumbent agent as Broker of Record for a School District in the CAIP sub fund, provided that: (i) J. Byrne Agency was the Broker of Record for that School District immediately prior to the incumbent agent it is replacing, and (ii) J. Byrne Agency replaces that incumbent agent within three (3) years of the date the incumbent agent replaced it on such account.

J. Byrne Agency acknowledges and agrees that as a sub fund manager under and pursuant to the CAIP 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 J. Byrne Agency 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

J. Byrne Agency 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 J. Byrne Agency or any negligent, reckless, or willful acts or omissions by J. Byrne Agency.

NJSIG will indemnify, defend and hold harmless J. Byrne Agency from any and all claims, liabilities, losses and expenses (including but not limited to reasonable attorney~~s~~ 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

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 . J. Byrne Agency 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 J. Byrne Agency (for clients of J. Byrne Agency only and evidence only)
5. Purchasing and preparing sub fund brochures . J. Byrne Agency
6. Organizing, conducting and paying expenses for periodic meetings with CAIP members . J. Byrne Agency
7. Policy deliverance . NJSIG
8. Conducting field visits to member districts . J. Byrne Agency and NJSIG

Definitions

Existing J. Byrne Agency shall mean school boards who have named J. Byrne Agency 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 CAIP who have brokers of record other than J. Byrne Agency.

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

New Business- J. Byrne Agency shall mean school boards who join NJSIG and have currently named J. Byrne Agency as their broker of record.