

**SCHOOL POOL  
FOR  
EXCESS LIABILITY LIMITS  
JOINT INSURANCE FUND  
SPELL JIF**

**PLAN OF RISK MANAGEMENT**

**2019-2020 FUND YEAR**

**EFFECTIVE: JULY 1, 2019**

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The purpose of this document is to highlight major coverages, limits, sublimits and extensions as afforded through the SPELL JIF. This document is not a policy of insurance and in no way modifies, restricts, expands or in any other way changes the coverages afforded through the SPELL JIF. For actual coverage determination, reference must be made to the SPELL Coverage Document and any excess insurance or reinsurance purchased by the SPELL JIF.

## I. INTRODUCTION

The SPELL JIF is a statutorily filed joint self-insurance fund owned and managed by four local funds or owner groups. The owner groups consist of the three statutorily filed school board insurance funds which, as charter members, formed the SPELL JIF on July 1, 2001, and one statutorily filed municipal joint insurance fund which joined the SPELL JIF on January 1, 2002 (on behalf of its school district membership). The four owner groups are the Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund (ACCASBO JIF), Burlington County Insurance Pool Joint Insurance Fund (BCIP JIF), the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (GCSSD JIF) and the Suburban Essex Joint Insurance Fund (SE JIF).

For the eight years prior to forming SPELL JIF, the three charter member owner groups were formal purchase partners of various insurance policies from commercial carriers under a rotating lead agency agreement. Beginning with the July 1, 2000 annual reorganization of each owner group, it was apparent that the insurance market's soft pricing cycle was rapidly coming to an end. The owner groups realized that it was inevitable that the cost to fund for excess losses on a group basis above their current retentions would be less expensive than paying excess insurance premiums.

The SPELL JIF was formed as a logical and much needed financing mechanism designed to provide owner groups with a more cost-effective method for financing risk.

### **The SPELL JIF's objectives mirror those of its Owner Groups:**

- **The SPELL JIF is designed to optimize the mix of retention and commercial insurance. This ability allows the SPELL JIF to substantially reduce the severity of insurance pricing cycles to owner groups. In turn, this allows owner groups to realize their objective to stabilize the cyclical nature of insurance expenditures.**
- **The SPELL JIF will actively supplement owner group safety and risk management initiatives. This will allow owner groups to meet their objective to pro-actively invest in safety and risk management programs to help their member school districts reduce exposure to risk.**
- **The SPELL JIF will integrate its claim administration with owner group claim administration. This will allow owner groups to meet their objective to aggressively evaluate, defend and/or settle claims made against them and/or their member school districts that fall within the scope of SPELL JIF coverage.**
- **The SPELL JIF structure includes aggregate excess of loss financing so that owner groups are minimally exposed to the risk of supplemental assessment. However, the structure also includes aggregate excess loss corridors for owner groups. This intentional corridor is not likely large enough to expose an owner group to the risk of supplemental assessments, but is large enough to compel owner groups to spend all their loss funds and interest income for a bad claim year.**
- **All SPELL JIF loss funds will be at or above statutorily required actuarial confidence levels for retention it finances. This will enable owner groups to maintain their individual conservative funding habits in a combined effort to ensure long-term financial security and stability for the SPELL JIF, its owner groups and their member boards of education.**
- **Lastly, the SPELL JIF's approach to aggregate excess protection supports owner group objectives associated with the equitable distribution of their local budgets.**

## The Role of the SPELL JIF for 2019-2020

Depending on the Owner Groups' needs for a particular year, the SPELL JIF can be used as a risk-taking entity, serving as a buffer between the Owner Groups' retained layers and the excess/reinsurance carriers' specific and aggregate attachment points, and/or as an administrative entity, not taking risk, but serving purely as a mechanism for group insurance purposes.

For the 2019-2020 fund year, the SPELL JIF will continue to serve as an administrative vehicle under which all Owner Group coverages will be purchased and certain service providers will be managed.

The SPELL JIF will also assume the risk of aggregate corridor deductibles in excess of the underlying Owner Group retained layers. The aggregate corridor deductible for Workers Compensation for the 2019-2020 fund year is \$1,000,000 and for the remaining package retained lines (crime, property, automobile liability, general liability and educators legal liability) a \$200,000 aggregate corridor deductible is assumed. If a specific claim or multiple claims within the SPELL JIF Owner Groups' exceeds the applicable \$250,000 self-insured retention, the SPELL JIF assumes liability for the amount excess of the self-insured retention up to the applicable aggregate corridor deductible limit. Once the applicable aggregate corridor deductible is exhausted by one specific claim or multiple claims, financial liability for all claims in excess of the self-insured retention is fully assumed by the reinsurance carrier up to the applicable stated limits.

For 2019-2020, the combined potential aggregate corridor deductible liability of \$1,200,000 is fully funded within the SPELL JIF budget, thus no potential residual aggregate corridor deductible liability exists.

Exhibit "A" shows the structure of the SPELL JIF. The structure includes \$2,000,000 in commercial excess aggregate protection designed to insulate Owner Groups from the risk of supplemental assessment over and above the initial loss funding for a particular year as calculated by the fund actuaries and approved by the owner groups' finance committees and the full membership. There are, however, three scenarios under which owner groups may be liable for supplemental assessments:

1. If an Owner Group elects to maintain an unfunded loss layer (risk window) and losses paid exceed the original funded amount,
2. If total paid losses exceed the original budgeted loss fund amounts, any unfunded loss layers, and the \$2,000,000 commercial excess aggregate limit,
3. If the SPELL JIF's 2019-2020 **projected** payroll is less than the SPELL JIF's 2019-2020 **actual** payroll (note that the commercial excess aggregate attachment point is provisional based on **projected** payroll estimated at the beginning of the policy period. The attachment point will be adjusted upward if actual payroll at the end of the policy period exceeds projected payroll).

For 2019-2020, Owner Group loss funding is again combined on a shared basis across all owner groups members in the SPELL JIF configuration. By combining loss funding, Owner Groups suffering from a poor claims year will be able to tap into available funding from other Owner Groups, eliminating the need for supplemental assessments and allowing for all paid losses to accrue toward the commercial excess aggregate attachment point. The process is self-correcting as owner group(s) suffering from poor claims experience in a given year will likely realize increased loss funding requirements for the subsequent program year. Each Owner Group has a specified level of loss funding that they are responsible for within the combined loss funding structure. An individual Owner Group's surplus loss funding may be eroded by shared losses allocated from another Owner Group(s), but each Owner Group's loss funding responsibility is limited to the initial responsibility level established. The potential for supplemental is thus greatly reduced, limited only to the three scenarios outlined above.

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

**A. General**

The SPELL JIF has the option to offer coverage to its Owner Groups through one or more of the following methods:

- Excess Insurance
- Reinsurance
- Partially self-insured trust funds with either direct excess or reinsurance participation
- Self-Insured Trust Funds

The coverage provided to Owner Groups of the SPELL JIF includes the following:

1. Property (including Buildings and Contents, Inland Marine, and Automobile Physical Damage);
2. Boiler and Machinery/Equipment Breakdown;
3. General Liability and Automobile Liability (including Executive Automobile Liability);
4. Workers' Compensation;
5. Educator's Legal Liability;
6. Crime,
7. Pollution and Mold Legal Liability,
8. Terrorism (for "non-certified" acts and "certified" acts as defined under TRIEA),
9. Cyber Liability,
10. Violent Malicious Acts,
11. Disaster Management Services, and
12. Unmanned Aerial Vehicles Liability

Each limit of coverage defined herein incorporates member board of education deductibles (where applicable), owner group self-insured retentions, and commercial insurance excess coverage. Each line of coverage limit is shown first by total ground-up limit and then by participating layer.

Wherever used, the expression Self Insured Retention (SIR) means that portion of a loss that is the financial responsibility of an owner group. Unlike a deductible, it is paid directly by the local owner group. The paid claim value includes payments for allocated loss expenses and/or financial loss elements. A more specific definition of SIR is provided in the 2019-2020 SPELL JIF Package Coverage Document.

In the event of a multiple lines loss, instead of having multiple retentions to pay, the Owner Group's total payment is capped at the amount of the largest SIR involved in the loss; however, at no time will payment under a particular coverage line exceed its established SIR. This feature does not apply to the boiler and machinery coverage, the pollution and mold legal liability or the cyber liability coverages, as they are all group purchases of primary commercial insurance policies.

The specific (per claim) excess/reinsurance and aggregate excess protections are illustrated in Appendix "A" attached hereto.

**B. Property**

1.	Blanket loss limit of liability (per occurrence <sup>1</sup> )	\$175,000,000
2.	Owner Group district per occurrence <sup>2</sup> deductible	\$500
3.	Owner Group per occurrence retention	\$250,000 x/o \$500
4.	SPELL JIF per occurrence retention	None
5.	Commercial carrier per occurrence coverage	\$174,749,500 x/o \$250,500
6.	Coverage written on an “All Risk - Special Form” basis.	
7.	<u>Property Included and Additional Coverages</u>	<u>Per Occurrence Limit/Sub-Limit</u>
a.	All Covered Property Elements: Building, Contents and Property in the Open (Blanket Loss Limit exclusive of SIR)	\$175,000,000
b.	EDP Equipment/Media/Extra Expense (including sudden and accidental mechanical breakdown)	Included in limit
c.	Newly Acquired Property	Included in limit <sup>3</sup>
d.	Automatic Builder’s Risk – Owners Interest	Included in limit <sup>4</sup>
e.	Automatic Builder’s Risk – Third Party Contractors	\$25,000,000 <sup>4</sup>
f.	Mobile Equipment	Included in limit
g.	Automobile Physical Damage	Included in limit
h.	Debris Removal, Preservation of Property, Demolition and Increased Cost of Construction	Included in limit
i.	Accounts Receivable	Included in limit
j.	Fine Arts	Included in limit
k.	Business Income (includes Rental Value & Tuition/Fees)	Included in limit
l.	Valuable Papers	Included in limit
m.	Extra Expense	Included in limit
n.	Musical Instruments	Included in limit
o.	Audio-Visual Equipment	Included in limit
p.	Band Uniforms	Included in limit
q.	Theatrical Property	Included in limit
r.	Athletic Equipment	Included in limit

<sup>1</sup> The per occurrence limit is the total loss, damage, disaster or casualty to covered property by or resulting from one or more covered causes of loss. Any loss caused by a single event that begins within seventy-two (72) hours of the start of the perils of tornado, cyclone, hurricane and windstorm. All earth movement or volcanic eruptions that occur within any one hundred sixty-eight (168) hour period will constitute a single earth movement. All flood events that occurs within any one-hundred sixty-eight (168) hour period will constitute a single flood. In the event of a single event involving two or more owner group members or owner groups, the available per occurrence limit would be \$175,000,000 excess of a \$500 member school district maintenance deductible for each involved Member school district and a single \$250,000 retention for all involved SPELL JIF owner group Joint Insurance Fund members.

<sup>2</sup> See Item N on page 12.

<sup>3</sup> Newly Acquired Property or Property Additions associated with Builders Risk, members are advised to report all such exposures immediately to the Fund Administrator. Any such property not reported during a Fund year or on a renewal exposure discovery questionnaire for the subsequent Fund year will not be covered in the subsequent year or any year thereafter until the property is reported.

<sup>4</sup> The \$175,000,000 per occurrence limit applies to automatic Builder’s Risk for the Member school district’s interest only. Automatic Builders Risk is extended to include third party contractors named as an insured subject to a \$25,000,000 per occurrence sublimit. If the Builder’s Risk exposure in excess of \$25,000,000 necessitates that another party be named as an insured, the member district must make arrangements either through the SPELL JIF Underwriting Manager or through another party for a separate policy as the Fund’s property program does not extend to these “other interests” above the \$25,000,000 sublimit.

s.	Property of Others	Included in limit
t.	Underground Property	\$1,000,000
u.	Unnamed Locations	\$25,000,000
v.	Earthquake (Annual Aggregate)	\$150,000,000 <sup>5</sup>
w.	Flood (Annual Aggregate) Loss – All Covered Zones	\$150,000,000 <sup>5</sup>
x.	Flood per Location Sublimit – Flood Zones with prefix A only	\$10,000,000 <sup>5</sup>
y.	Terrorism (\$50,000,000 per occurrence, subject to a \$50,000,000 annual aggregate).	\$50,000,000
8.	<u>Property Excluded (Major Only)</u>	
a.	Growing Crops Lawns	
b.	Animals and Aircraft	
c.	Watercraft over 35 feet in length (Except for non-motor powered crew boats)	
d.	Land	
e.	Foundations, Bulkheads, Piers, Wharves or docks unless reported	
f.	Retaining Walls that are not attached to a building an insured owns	
9.	<u>Excluded Causes of Loss (Major Exclusions only)</u>	
a.	Wear, tear, deterioration, rust corrosion, hidden or latent defects, including any quality in the property that causes it to destroy itself	
b.	“Fungus”, wet rot, dry rot and bacteria	
c.	Insects, rodents, birds, or other animals	
d.	Mechanical breakdown including rupture or bursting caused by centrifugal force (except as provided under EDP coverage)	
e.	Explosion of steam boilers, pipes engines or turbines	
10.	<u>Property Valuation</u>	
a.	Buildings and Contents	Replacement Cost, Same Site Waiver, Blanket Basis No coinsurance clause; Actual Cash Value if useless to insure or not replaced.
b.	Mobile Equipment	Actual Cash Value
c.	Automobiles	Actual Cash Value
d.	School Buses /Vehicles Type I and II	Replacement Cost
e.	EDP Media	Cost of Replacement
f.	Business Income	Actual Loss Sustained
g.	Valuable Papers	Cost to Replace Documents

<sup>5</sup> Property coverage includes Flood & Earthquake sub-limits with annual aggregates; these sub-limits are inclusive of the per occurrence limit, are not additional limits and are subject to the retention described herein on a per occurrence basis. All Flood Zones described herein are as defined by the National Flood Insurance Program (NFIP). Flood losses inside of NFIP Flood Zones that begin with the prefix “A” have a SPELL JIF per occurrence and annual aggregate limit of \$50,000,000. Flood losses outside of NFIP Flood Zones that begin with the prefix “A” have a SPELL JIF per occurrence and annual aggregate limit of \$150,000,000. Flood losses within NFIP Flood Zones that begin with the prefix “A” are subject to a per occurrence sublimit of \$10,000,000 per location. Flood coverage for locations within NFIP Flood Zones that begin with the prefix “A” applies excess of maximum available NFIP limits of \$500,000 each building and \$500,000 content values for each building. Flood coverage for locations within NFIP Flood Zones that begin with the prefix “A” applies excess of \$100,000 per occurrence per involved Member school district as respects Time Element. No Coverage is provided for NFIP Flood Zones that begin with the prefix “V” – No applicable locations are in Flood Zone V. Earthquake losses are subject to a SPELL JIF per occurrence sub-limit of coverage of \$150,000,000 with a \$150,000,000 SPELL JIF annual aggregate limit of liability.

**C. BOILER AND MACHINERY / EQUIPMENT BREAKDOWN (Joint Purchase)**

1.	Equipment Breakdown Limit	\$125,000,000
2.	Owner Group district deductible	\$1,000 Per Occurrence for Direct Loss and Perishable Goods;
3.	Owner Group per occurrence retention	NONE
4.	SPELL JIF Retention	NONE
5.	Commercial carrier placement	\$125,000,000 inclusive of \$1,000 deductible
6.	<u>Policy Sub-Limits/Extensions/Conditions</u>	
a.	Off Premises Property Damage	\$5,000,000
b.	Service Interruption	Included in policy limit Subject to 4 hour waiting period
c.	Spoilage / Perishable Goods	\$100,000,000 Subject to 4 hour waiting period
d.	Data Restoration	\$5,000,000
e.	Ordinance or Law, including Demolition and Increased Cost of Construction	\$10,000,000
f.	Expediting Expenses	Included in policy limit
g.	Hazardous Substance Expense	\$10,000,000
h.	Repair and Replacement (Boiler/Vessel)	Included in policy limit
i.	Newly Acquired Locations	Included in policy limit <u>subject to 365 days' notice</u>
j.	Dependent Property	\$10,000,000
k.	Water Damage (if not covered elsewhere)	Included in policy limit
l.	Underground Pressure Vessel and Piping	Included in policy limit
m.	Unnamed Locations	Included in policy limit
n.	Electrical Surge or Disturbance	Included in policy limit
o.	Extra Expense/Business Interruption	Included in policy limit/Actual Loss Sustained
p.	CFC Refrigerants, including Ammonia contamination	Included in policy limit



**D. GENERAL AND AUTOMOBILE LIABILITY**

- |    |  |                            |
|----|--|----------------------------|
| 1. | Limit of Liability: <sup>6</sup>   | 20,000,000 Per Occurrence  |
| 2. | Owner Group district deductible  | NONE                       |
| 3. | Owner Group per occurrence retention   | \$250,000                  |
| 4. | SPELL JIF Retention  | NONE                       |
| 5. | Commercial carrier placement   | \$19,750,000 x/o \$250,000 |
| 6. | <u>Coverages Included</u>  |                            |
| a. | General Liability (including bodily injury, property damage, personal injury, advertising injury, products/completed operations and blanket contractual liability) |                            |
| b. | Civil Rights   |                            |
| c. | Corporal Punishment  |                            |
| d. | Athletic Participation   |                            |
| e. | Owned & Non-owned Watercraft less than 35 feet in length and non-motor powered crew boats under or over 35 feet in length.   |                            |
| f. | Volunteers   |                            |
| g. | Garagekeepers Liability and Garagekeepers Legal Liability  |                            |
| h. | Automobile Liability (including Executive Automobile coverage – see E. below)  |                            |
| i. | Automobile Medical Payments (\$10,000 per person/\$150,000 per accident) coverage is inclusive of Owner Group retention  |                            |
| j. | Uninsured/Underinsured Motorist Liability (\$15,000/30,000/5,000)  |                            |
| k. | No Fault Personal Injury Protection (statutory minimum)  |                            |
| l. | Employee Benefits Liability (claims made with retro date concurrent with each member district's membership inception date)   |                            |
| m. | Host and/or Liquor Liability   |                            |
| n. | Incidental Medical Malpractice   |                            |
| o. | Sexual Misconduct BI (\$15,000,000 each occurrence, \$15,000,000 annual aggregate per Member School District)  |                            |
| p. | Fire Damage Legal Liability (\$2,500,000 sublimit)   |                            |
| q. | Terrorism (\$20,000,000 each occurrence, subj. to \$50,000,000 all lines annual aggregate.   |                            |
| 7. | <u>Coverages Excluded (Major only)</u>   |                            |
| a. | Nuclear Liability  |                            |
| b. | Watercraft, Airport and Aircraft Liability (except for non-motor powered crew boats)   |                            |
| c. | Pollution Liability (except for hostile fire)  |                            |
| d. | Medical Malpractice for Doctors, Hospitals and Clinics   |                            |
| e. | Workers' Compensation/Employers Liability/Occupational Disease (see Workers' Compensation Coverage)  |                            |
| f. | Inverse Condemnation and Related Claims  |                            |
| g. | Asbestos (absolute)  |                            |
| h. | Enforcement Actions by Administrative Regulatory Bodies  |                            |
| i. | Mediation, Arbitration or similar advisory or binding dispute resolution proceeding results related to Civil Service, Labor Contract or Similar Rule or Regulation |                            |
| j. | Employment Practices Liability (see Educator's Legal Liability)  |                            |
| k. | "Fungus", wet rot, dry rot and bacteria  |                            |
| l. | Use of autos or mobile equipment in racing, speed, demolition or stunting activities   |                            |

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<sup>6</sup> The General and Automobile Liability limit is expressed as a per occurrence limit, with no annual aggregate limit. Employee Benefits Liability, a subpart of the General Liability coverage part, remains a claims made form with a \$20,000,000 per member annual aggregate.

**E. EXECUTIVE AUTOMOBILE LIABILITY – Defined Additional Limits**

1.	Uninsured Motorists Coverage:	\$1,000,000
2.	Underinsured Motorists Coverage:	\$1,000,000
3.	Medical Payments Coverage (inclusive of retention):	\$500,000
	a. Deductible:	\$500
	b. PIP is primary.	
	Lawsuit Threshold Applies.	
4.	Option 8 PIP Benefits	
	a. Income Benefit – Weekly	\$700
	b. Income Benefit – Maximum	\$72,800
	c. Essential Services - Per Day	\$20
	d. Essential Services – Maximum	\$14,600
	e. Funeral Expense – Maximum	\$2,000
	f. Death Benefit	\$10,000

“Executive Automobile” means a specifically identified automobile provided to a specifically identified employee of a member school district for business and personal use on a contractual and/or operational basis. Executive Automobiles are owned or leased by a member school district principally for school related business purposes and personal use is an incidental exposure. Executive Automobiles are provided to specific individuals on a twenty four-hour, seven-day a week and fifty-two week a year basis. Executive Automobile does not mean a personal automobile owned, leased, rented or borrowed by a member district employee.

Coverage is extended solely to those vehicles and member district employees who are specifically identified by member districts to the Fund Administrator. The Fund Administrator shall maintain a list of all such vehicles and persons as identified by member districts.

**F. WORKERS’ COMPENSATION**

1.	Limit of Liability	
	Workers’ Compensation	Statutory
	Employers Liability/ Occupational Disease	\$10,000,000 per occurrence
	Terrorism (subj. to \$50,000,000 all lines annual aggregate)	\$20,000,000 per occurrence
2.	Owner Group district deductible	NONE
3.	Owner Group retentions (WC & EL)	\$250,000
4.	SPELL JIF Retention	NONE
5.	Commercial carrier placement	
	A. Workers’ Compensation	Statutory limits xs \$250,000
	B. Employers Liability/ Occupational Disease	\$9,750,000 xs \$250,000

**G. EDUCATOR’S LEGAL LIABILITY**

1.	Limit of Liability:	\$20,000,000 per district / claim
		\$20,000,000 annual aggregate per Member District
		Claims Made form, full prior acts, coverage is excess of other valid and collectable insurance
2.	Owner Group district deductible	NONE
3.	Owner Group retentions	\$250,000
4.	SPELL JIF Retention	NONE
5.	Commercial carrier placement	\$19,750,000 x/o \$250,000
6.	Terrorism (subj. to \$50,000,000 policy annual aggregate)	\$20,000,000 per claim
7.	Administrative Matter Defense	\$114,000 <sup>7</sup>
		SPELL JIF Annual Aggregate

<sup>7</sup> The SPELL JIF Administrative Matter Defense Program provides expense reimbursement to member districts subject to \$1,500 maximum annual aggregate reimbursement per member district. The program is not a carrier purchased coverage and is not provided for within the SPELL JIF Coverage Document. The program is fully self-funded through the SPELL JIF and is subject to a maximum aggregate exposure of \$127,500.

**H. CRIME**

1.	Limits of Liability	Per Occurrence
	Employee Dishonesty	\$500,000
	Money & Securities (in and out)	\$500,000
	Faithful Performance	\$500,000
	Counterfeit Papers	\$500,000
	Depositors Forgery	\$500,000
2.	Owner Group district deductible	\$500 <sup>8</sup>
3.	Owner Group retentions	\$250,000 x/o \$500
4.	SPELL JIF Retention	NONE
5.	Commercial carrier placement	\$249,500 x/o \$250,500

**I. POLLUTION LEGAL LIABILITY (Joint Purchase)**

1.	Limits of Liability	Per Pollution Incident, combined single limit Pollution / 3 <sup>rd</sup> Party Mold, claims-made form
	Per Pollution Incident – Pollution / Mold Combined	\$3,000,000
	Annual Aggregate per Owner Group – Pollution / Mold Incident Combined	\$6,000,000
	Annual SPELL JIF Aggregate – Pollution / Mold Incident Combined	\$12,000,000
2.	Owner Group and SPELL JIF retention	NONE
3.	Member District Deductible each Pollution Incident	\$25,000
	Member District Deductible each Mold Incident	\$50,000 to \$250,000 Each Mold Incident*

\*Mold Deductibles are tiered based upon the age of applicable individual structures  
0-20yrs \$50,000 / 20-50yrs \$100,000 / 50+yrs \$250,000.

4. Major Exclusions

a. Known Claims	f. Damage to Insured's Property
b. Punitive, exemplary or multiplied portions of multiple damages	g. Asbestos or Lead, except as provided by any endorsement which may be issued to the policy
c. Bodily Injury to employee	h. Professional Services Rendered by Named Insured
d. Products Liability	i. Underground Storage Tanks
e. Intentional or Illegal Acts	j. Cross Liability (Insured suit against another Insured)

**J. CYBER LIABILITY (Joint Purchase)**

COVERAGE SECTION	Sublimit of Liability	Retention	Aggregate Limit	Retroactive Date
Security and Privacy Liability	\$2,000,000	\$10,000 8 hr waiting period for BI	\$15,000,000	Prior & Pending Date 7/1/2018 / Full Prior Acts
Incident Response Expense	\$2,000,000			
Business Interruption	\$2,000,000			
Business Interruption Waiting Period	8 hours			
Data Recovery (including Bricking)	\$2,000,000			
Regulatory Proceedings	\$2,000,000			
Cyber Extortion	\$2,000,000			
Media Liability	\$2,000,000			

<sup>8</sup> See Item N on page 12.

**K. VIOLENT MALICIOUS ACTS (Joint Purchase)**

Each Occurrence per Owner Group Joint Insurance Fund	\$1,000,000
Annual Aggregate per Owner Group Joint Insurance Fund	\$2,000,000
Owner Group and SPELL JIF retention	NONE
Member District Deductible each occurrence	\$15,000

**L. DISASTER MANAGEMENT SERVICES (Joint Purchase)**

Each Occurrence	\$2,000,000
Annual Aggregate per Owner Group Joint Insurance Fund	\$10,000,000
Owner Group and SPELL JIF retention	NONE
Member District Deductible each Pollution Incident	\$15,000

**M. UNMANNED AERIAL SYSTEMS LIABILITY**

Coverage for Owned and Non-Owned included in General Liability.

**N. MAINTENANCE DEDUCTIBLE**

In the event that the commercial excess aggregate attachment point is reached, the individual district property and crime deductibles will remain at \$500.00. Further, the member maintenance deductibles are not considered loss funds and therefore do not accrue toward erosion of the excess aggregate attachment point.

**O. LEAD AGENCY ROLE**

The SPELL JIF, in its role as Lead Agency, may pay certain provisional premiums for ancillary coverages, such as builder's risk (with contractor's interest), tenant users liability insurance, foreign liability insurance or other areas of coverage authorized by the Board of Trustees. Each owner group is billed separately for their portion of the various policy premiums.

### III. OPERATIONAL PHILOSOPHY AND PRACTICE

#### A. **General Philosophy**

This section provides a general overview of the operating philosophy of the SPELL JIF and a description of practices in support of the philosophy.

The SPELL JIF expects each owner group to be thoroughly proactive with respect to their respective risk management program. It is incumbent upon owner groups to develop programs designed by and for their members to reduce the probability of claims and to manage claims well. It is for these reasons that the SPELL JIF will undertake advisory and monitoring roles in working with and for its owner groups.

#### B. **Delegates, Board of Trustees and Committees**

The SPELL JIF Delegates are the backbone of the SPELL JIF. These individuals will control the success of the SPELL JIF by actively participating in the financial and operational management of the SPELL JIF.

#### C. **Strategic Planning Committee**

The Committee consists of a single member from each owner group. The committee's purpose is to provide a more efficient method for exploring topics that have the potential to impact the SPELL JIF prior to presentation and recommendation to the Board of Trustees.

#### D. **Providers of Professional Services**

Providers of professional services to the SPELL JIF are required to participate in and promote SPELL JIF activities. The success of the SPELL JIF will, in part, be a reflection of the professionalism of these providers whose services are an integral part of the SPELL JIF.

#### E. **Claim Procedures**

Each party to the claim administration process shares a central financial purpose - to limit the cost of claims that have occurred.

The SPELL JIF will play two fundamental roles related to claim activity. These roles are:

2. Serve as an excess of loss auditor for owner group claim administrators.
3. Serve as the primary claim administrator for educator's legal liability claim activity.

#### F. **Certifying and Approving Officer**

The Board of Trustees recognizes that the expeditious resolution of certain claims and the payment of administrative expenses sometimes arise on an emergent basis. The Board also understands that the insurance regulations governing joint self-insurance funds in the State of New Jersey allow the Board to designate a certifying and approving officer who shall have limited payment authority in emergency situations. Pursuant to insurance regulation, the SPELL JIF hereby authorizes the appointment of the SPELL JIF Administrator as its Certifying and Approving Officer.

The Certifying and Approving Officer shall have payment authority for incidental administrative expenses in an amount not to exceed \$7,500.00 per event. The Certifying and Approving Officer shall have payment authority for the expeditious resolution of claims in an amount not to exceed \$25,000.00 per claim in excess of the claim administrator's authority.

In managing these matters, the Certifying and Approving Officer shall not authorize payment unless the request for payment is accompanied by a detailed bill or demand, specifying how the bill or demand is made up, with the certification of the party claiming payment that it is correct. Further, an officer of the SPELL JIF having knowledge that the goods or services have been received shall certify the bill or demand. In the case of claims or losses to be charged against any loss trust fund, the SPELL JIF claims administrator shall certify as to the accuracy and validity of the claim and an officer of the SPELL JIF shall agree to the resolution of the claim.

Once the Certifying and Approving Officer has authorized payment, he or she shall prepare a report of the payment activities and shall submit a report to the Board of Trustees at their next regularly scheduled quarterly meeting in either Open or Closed Executive Session depending upon the nature of the expense.

**G. Financial Management**

Consistent with the objective of serving as a stable mechanism for financing risk, the underlying premise of the SPELL JIF financial structure is one of conservative initial trust funding, prudent investment of idle monies, and maintenance of stringent paper and audit trails. As is the case with all other aspects of the SPELL JIF, the financial assets of the SPELL JIF are considered as moneys held in public trust. Treatment and handling of these resources is accomplished in a manner that reflects the stewardship obligation of those entrusted with this responsibility. All actuarial, investment, treasury and banking functions of the SPELL JIF are to be accomplished in a manner consistent with the same legal and administrative standards applicable to the State of New Jersey and shall be overseen by the Board of Trustees.

**H. Safety and Risk Management**

The SPELL JIF acts as promoter of owner group activity with regard to safety and risk management. It is not designed or intended to provide every day safety and risk management programs and services to school districts. Front-line safety and risk management is the sole responsibility of owner groups and their members.

**I. Annual Surplus and Additional Assessment Process**

Each spring, the SPELL JIF will perform an analysis of its financial position for each SPELL JIF fiscal year and each line of coverage. This will involve review of the current year's December 31st interim financial statement, an actuarial loss development report valued as of December 31<sup>st</sup> of the current fiscal year, and the surplus return calculations as defined in the administrative code. This analysis will reveal the available statutory surplus by line of coverage for each SPELL JIF year and the amount of available statutory surplus by Owner Group in the aggregate. It will also reveal the cash depletion position for any line of coverage for each SPELL JIF year.

Based upon this analysis, the Board of Trustees will either choose to roll forward surplus to the multi-year aggregate excess loss contingency fund, release a portion of the available surplus and/or declare an additional assessment. In all scenarios, the Board of Trustees must first seek approval by the Commissioner. Once action is authorized by the Commissioner, a resolution will be issued to each affected Owner Group advising them of their net position.

If a return of surplus to owner groups is authorized then the Owner Groups will be given the following choices:

1. Existing Owner Groups:

- If their net position reveals a surplus, they can take the money, apply the money toward the coming year allocated share of premium, transfer the money to their unencumbered portion of the multi-year aggregate excess loss trust fund, or divide the available money to be used for two or more of these purposes.
- If their net position reveals a deficit, they will have to pay this bill.

2. Former Owner Groups:

- If their net position reveals a surplus, they can take the money, transfer the money to the unencumbered portion of their multi-year aggregate excess loss contingency fund, or divide their available money between these two options. They cannot apply this money toward the coming year's allocated share of premium as they are not owner groups.
- If their net position reveals a deficit, they will have to pay this bill.

It is the intent of the SPELL JIF to conclude this process by May of each current SPELL JIF fiscal year , and act upon individual current and former owner group choices at the first meeting of the subsequent program year.

Any current or former owner group who does not act upon their resolution by the time established by the Board of Trustees shall forfeit their rights to do act independently for that year and accept the following results:

1. In the event of non-action on a net return of surplus:

- The total net return amount shall be transferred to the individual owner group's portion of their unencumbered multi-year aggregate excess loss contingency fund.

2. In the event of a bill to cover a deficit:

- The bill will be sent with a payment due date in advance of the first meeting of the subsequent SPELL JIF program year.

**J. Owner Group Membership Requirements**

**1. Fund Administrator Requirements**

The SPELL JIF requires that all Owner Group members have a qualified Fund Administrator familiar with State requirements related to public entity joint insurance funds.

**2. Annual Underwriting Submission Requirements and Binding Authority**

All owner group member districts, whether using the SPELL JIF Fund Administrator or an independent Fund Administrator, are required to respond to renewal information requests in the format and timeframe established by the SPELL JIF Fund Administrator / Underwriting Manager.

Binding Authority

The only persons who have the authority to bind the SPELL JIF to coverage are the SPELL JIF Executive Director and Deputy Executive Director(s).

No new Owner Group or member school district can be bound prior to receipt of a fully executed SPELL JIF Application Document for each involved member district, a certified actuarial study, and a written consent to bind from the SPELL JIF Chair, Vice Chair or Secretary as available.

### **3. Financial Reporting Requirements**

#### Loss Data

Quarterly submission of ground-up loss data in an electronic Excel format prescribed by the SPELL JIF Fund Administrator.

#### Financial Statements

- Annual independent audit report as filed with DOBI.

#### Financial Tracking System

Owner Groups administered locally by the SPELL JIF Fund Administrator must utilize the general ledger system established by SPELL JIF Fund Administrator. The applicable owner group Treasurers will be required to provide an electronic transfer of updated general ledger data on a semi-annual basis to the SPELL JIF Fund Administrator in conjunction with the annual audit and interim financial statement process.

The uniform general ledger software utilized by the SPELL JIF Fund Administrator will be made available to all SPELL JIF owner groups not administered locally by the SPELL JIF Fund Administrator upon request. Owner groups not administered locally by the SPELL JIF Fund Administrator are not required to utilize the SPELL JIF Fund Administrator's general ledger software system if an adequate alternative is available and properly maintained by the local administrator and/or treasurer. The SPELL JIF Fund Administrator must agree the local general ledger system meets the SPELL JIF reporting needs.

### **4. Claims Management Requirements**

The SPELL JIF requires that all Owner Group members have the following basic claim management criteria:

- Use of a third party claim administrator qualified in the general management / administration of the claim adjusting process for all applicable coverages.
- The Owner Group must engage a managed care organization to provide bill re-pricing services within an established network to reduce the overall cost of claims.
- A claim reporting system must be established to ensure same day reporting and capture of the facts related to claim occurrences with concurrent reporting to the claim administrator and/or managed care provider.
- An annual review of all claims activity to identify trends and/or areas of concern so safety efforts can be directly targeted.

### **5. Safety Program Requirements**

The SPELL JIF requires that all owner group members have the following basic safety program elements:

- A Fund Safety Committee must be established to guide and target the overall safety efforts of the group through training, seminars, etc.
- Provide for a comprehensive safety inspection survey that must be completed for each member district on a three-year cycle, assuring that each member district is surveyed once every three years.
- The two-thirds of members not receiving the comprehensive survey annually should receive a minor inspection of an individual facility or operation, provided by the local Owner Group.



**K. NEW MEMBER ONE TIME PARTIAL MEMBERSHIP TERM**

The participating member JIFs that collectively own and manage the School Pool for Excess Liability Limits Joint Insurance Fund (SPELL JIF) are the only joint insurance funds in New Jersey who's Bylaws require all lines of insurance be placed with their Fund as a condition of membership. All other joint insurance funds will permit membership on a partial basis. As a consequence, most districts seeking membership in SPELL JIF affiliated joint insurance funds are requesting partial membership. The policy of "all lines" with a three year term is making it very difficult for the Fund to be a viable option for these districts.

The purpose of this policy is to provide non-member districts who wish to become full members in the Fund with a specific method for achieving that goal. For non-member districts with staggered insurance policies or other JIF memberships, the Fund will offer a proposal for the expiring lines that will coincide with the term of the unexpired coverages. For example, a district that has property and liability coverage expiring 6/30 of the current school fiscal year and workers' compensation expiring 6/30 of the next school fiscal year, the Fund will offer a one year property and liability membership with no promise of continuing membership past the first partial term period. The Fund would then consider offering membership on an all lines basis for a three year term following the initial one time partial membership term.

The initial one time partial membership term only occur one time for any district. The initial one time partial term membership term cannot continue past the initial one time partial membership term expiration date. Continued membership beyond the initial one time partial membership term requires a three year membership commitment based upon all lines of insurance being placed with the Fund.

IV.

**SPELLJIF OWNER GROUP MEMBER LIST**

**As of July 1, 2018**

<b>OWNER GROUP</b>	<b>ENTRY DATE</b>	<b>DEPARTMENT AUTHORIZATION NUMBER</b>
<b>Atlantic &amp; Cape May Counties Association of School Business Officials Joint Insurance Fund (ACCASBO JIF)</b>	<b>7/1/01</b>	<b>SBF1</b>
<b>Burlington County Insurance Pool Joint Insurance Fund (BCIP JIF)</b>	<b>7/1/01</b>	<b>SBF2</b>
<b>Gloucester, Cumberland, Salem School Districts Joint Insurance Fund (GCSSD JIF)</b>	<b>7/1/01</b>	<b>SBF12</b>
<b>Suburban Essex Joint Insurance Fund (SE JIF)</b>	<b>1/1/02</b>	<b>JIF13</b>

## **APPENDIX "A"**

### **2019-2020 SPELL Program Structure Chart**

**SCHOOL POOL for EXCESS LIABILITY LIMITS JOINT INSURANCE FUND (SPELL JIF)  
COVERAGE PROGRAM STRUCTURE 2019-2020**

\$175,000,000 \$25M x \$150M \$150,000,000 \$100M x \$50M \$50,000,000 \$25M x \$25M \$25,000,000 \$20,000,000    \$20,000,000 \$500,000 \$125,000,000 Statutory \$8,000,000 Aggregate \$40,000,000 Aggregate \$15,000,000 Aggregate \$12,000,000 Aggregate									
CATASTROPHIC REINSURANCE LAYER \$1,000,000					Boiler & Machinery and Equipment Breakdown	\$2,000,000 Per Owner Group Aggregate \$1,000,000 Per Occurrence Violent Malicious Acts	\$10,000,000 Per Owner Group Aggregate \$1,000,000 Per Occurrence Disaster Management Services	\$2,000,000 Per Claim Cyber Liability	\$6,000,000 Per Owner Group Aggregate \$3,000,000 Per Incident Pollution & Mold Legal Liability
AGGREGATE CORRIDOR DEDUCTIBLES \$200,000    \$1,000,000					Group Purchase	Group Purchase	Group Purchase	Group Purchase	Group Purchase
COMBINED JIF SPECIFIC RETENTION LAYER \$250,500    \$250,000    \$250,000    \$250,000    \$250,000					Group Purchase	Group Purchase	Group Purchase	Group Purchase	Group Purchase
\$500	\$500	\$0			\$1,000	\$15,000	\$15,000	\$10,000	\$25,000 Deductible per Pollution Incident Mold per Incident Deductible based upon age of structure 0-20yrs \$50,000 20-50yrs \$100,000 50+yrs \$250,000
Deductible	Deductible	NO Deductible			Deductible	Deductible	Deductible	Deductible	
Crime	Property	Automobile & General Liability	Educator's Legal Liability	Workers' Compensation	Boiler & Machinery	Violent Malicious Acts	Disaster Management Services	Cyber Liability	Pollution & Mold Legal Liability