

***School Pool for Excess Liability Limits Joint Insurance Fund
SPELL JIF***

Teleconferencing Meeting via WebEx

OPEN SESSION MINUTES

Thursday, May 28, 2020

I. MEETING CALLED TO ORDER

The meeting of the School Pool for Excess Liability Limits Joint Insurance Fund (SPELL JIF) was held remotely on Thursday, May 28, 2020 at 10:00 a.m., with Thomas Grossi, Greater Egg Harbor RHSD, Chairperson, presiding.

II. STATEMENT OF COMPLIANCE WITH THE OPEN PUBLIC MEETING ACT

Notice of this meeting was given by sending sufficient notice herewith to newspapers recognized by owner groups; filing advance written notice of this meeting with each member and their members districts; and by posting notice on the public bulletin boards of all municipalities served by the member districts of each owner group.

III. ROLL CALL

2019-2020 Trustees present

Thomas P. Grossi, Greater Egg Harbor RHSD, Chair – ACCASBO JIF
Robert Wachter, Jr., Mt. Laurel Twp. BOE, Secretary – BCIP JIF
Richard J. Kaz, Jr., Northern Burlington County RSD – BCIP JIF
Joseph Collins, Elk Township School District – GCSSD JIF

2019-2020 Trustees absent

Cherie Bratty, Upper Deerfield Township School District, Vice Chair – GCSSD JIF
Joseph Smurlo, Egg Harbor City School District – ACCASBO JIF

2019-2020 Alternate Trustees present

Christopher Veneziani, Folsom BOE, Alternate Trustee – ACCASBO JIF
Michael Colling, Medford Lakes SD, Alternate Trustee – BCIP JIF
Rose Wang Chin, Woodstown-Piles Grove, Alternate Trustee – GCSSD JIF

2019-2020 Alternate Trustees absent

Kim Robinson, Mainland Regional High School, Alternate Trustee – ACCASBO JIF
Diana Schiraldi, Eastern Camden County RSD, Alternate Trustee – BCIP JIF
Chris Rodia, Westville/Woodbury Heights, Alternate Trustee – GCSSD JIF

District Personnel present

No one

District Personnel absent

John Serapiglia, Jr., Passaic County Manchester – SE JIF
Edward Appleton, Nutley – SE JIF

Fund Professionals present

Bradford Hoffman, Director of Program Administration – RPA, a division of Gallagher
Craig H. Wilkie, Sr. Program Administrator – RPA, a division of Gallagher

Scott C. Tennant, Sr. Program Strategist– RPA, a division of Gallagher
Jennifer Fox, Sr. Account Manager – RPA, a division of Gallagher
Louis J. Greco, Esquire, Fund Solicitor
Lorraine Verrill, CPA, Fund Treasurer – Verrill & Verrill, LLC (left at 10:03 am)
Annette Reap, Recording Secretary

IV. APPROVAL OF MINUTES

Motion by Mr. Kaz, second by Mr. Wachter, to approve the Minutes of the February 7, 2020 meeting of the SPELL JIF. All in favor. Motion carried.

V. PROFESSIONAL REPORTS

A. Accountant/Treasurer

Ms. Verrill reviewed the February, 2020 through May, 2020 Bill Lists and Cash Reconciliation Reports for January through April, 2020 found in the agenda. She noted that in light of recent events, the interest rate has been declining substantially, dropping to .02%. As a result, she has moved the CD back to Republic Bank and asked the members if they have relationships with any financial institutions, to let her know. Ms. Verrill is reaching out to her banking network and trying to get the best rates she can for the Fund.

Motion by Mr. Kaz, second by Mr. Wachter, to approve the Bill Lists and Treasurer's Reports. All in favor. Motion carried.

Ms. Verrill left the meeting at 10:10 am.

B. Attorney – No Report

C. Student Accident Program Report – No Report

D. Executive Director/Underwriting Manager Summary

1. Underwriting and Finance Director

2020-2021 Budget Process – Vendor Review – Mr. Hoffman distributed his report as a handout, as well as shared on the virtual meeting screen. Each vendor was reviewed in detail, with specific discussions, noted below.

Auditor – Mr. Hoffman reported that the auditor's proposal, as reviewed at the local finance committee meetings, is requesting a +7.1%, citing alignment of their fees to some of their workload. He instructed the Trustees that the request can be adjusted, as they see fit. Mr. Kaz stated that, in light of the large fee increase last year, and discussion at BCIP Finance, he is recommending a +3% increase. Mr. Grossi advised they had the same discussion at ACCASBO Finance and would agree with the +3% increase vs. the +7.1%. Mr. Hoffman said he would make the adjustment to 3% per the Trustees direction.

Environmental Hazard Risk Consultant – Mr. Hoffman noted that this was a new program that was added last year. To date, \$5700 has been spent so far and he is suggesting to increase the budget line to \$10K. Mr. Hoffman explained that this expense is currently being taken from the contingency. He recommended establishing a dedicated line item and utilize contingency if service usage necessitated. The Fund Administrators office will continue to evaluate and report on program, as it has been valuable to the members thus far.

HR Helpline - Mr. Tennant reported that this program has been remarkably helpful to all members, as is evidenced by their tremendous participation. He stated that the vendor approached his office about adding cyber advice to the helpline for an additional \$5K. Mr. Tennant referenced a list included in agenda of the resources that will be offered to all 86 members for unlimited guidance from cyber

professionals, online resources, cyber assessments and various other services. It will allow any member to engage in a cyber-security effort at no cost to the district. Mr. Tennant heartily recommends the addition of this value-added service.

Property Appraiser - Mr. Hoffman discussed the services provided by the property appraiser. He explained that \$86,500 is budgeted for the JIF property appraiser annually. Each year, 20% of the membership are visited for on-site appraisals. Over the years, the total expense has fluctuated and estimated fees for 2020-21 are \$61,600, based on the districts due for on-site inspections this year.

Per the Board of Trustee's previous request, included in the handout is a proposal from Lynn Forsythe, formerly of Duff & Phelps, the current provider. She has been working with the SPELL since 2001 and with many member districts since the 1990's. Ms. Forsythe moved to Gallagher Bassett Appraisal Services over a year ago and the Trustees said they would entertain a proposal from her for the 7/1/2020 vendor review process. Mr. Hoffman noted that there were no issues with the current property appraiser, Duff & Phelps. Mr. Hoffman advised the Board of Trustees that Gallagher Bassett is a Gallagher company.

Mr. Kaz spoke highly of Ms. Forsythe and has worked with her for many years. The SPELL followed her to Duff & Phelps and he would be inclined to follow her to Gallagher Bassett as well. Discussion ensued. Mr. Kaz made a recommendation that the SPELL change property appraisers over to Ms. Forsythe and Gallagher Bassett. Mr. Grossi agreed with Mr. Kaz' recommendation, as did Mr. Wachter.

Mr. Collins asked if there was any conflict of interest for the Executive Director's office. Mr. Hoffman advised that Gallagher Bassett is separate with regard to the service side, only sharing the same parent company. The appraisal services are a separate operation, verifying and identifying property values which are used to send out to carriers for pricing purposes. Mr. Hoffman asked Mr. Greco for his legal opinion. Mr. Greco stated that DOBI requirements are satisfied by the full disclosure of the relationship by Mr. Hoffman, and also mentioned the SPELL JIF has a long-standing track record with this provider, which would support a decision to change providers.

Underwriting Manager – Mr. Hoffman reviewed the 2020-2021 vendor request. Discussion ensued. Mr. Grossi asked if there were any other recommendations. Mr. Kaz suggested reducing the Administrator's fee request from +3% to +2.5%. Mr. Hoffman conveyed that he would make the adjustment in accordance with the Trustees request.

SPELL JIF Coverage Review Proposal - Mr. Tennant stated that COVID-19 is causing extreme distress in the insurance community over whether claims will be covered or not. He stressed that it is imperative that the SPELL members understand how the coverage document will or will not respond to the pandemic as soon as possible. It will be equally important to have attorneys who are experts in coverage matters. Mr. Tennant noted that the SPELL had employed the services of Offit Kurman previously in a difficult matter which was in litigation for about 5 years. He advised that, because of the prior relationship, they are willing to offer a discount on fees.

Motion by Mr. Kaz, second by Mr. Veneziani, to retain Offit Kurman to review the SPELL coverage document relative to possible issues arising out of COVID-19-related property or liability claims.

Spring/Summer 2020 Market Update - Mr. Hoffman sent a Spring/Summer Market Update published by Gallagher that includes many of the factors driving the market.

Program Renewal Overview – Mr. Hoffman conveyed that normally at this time of year the full budget would be reviewed and a full renewal presentation would be given, but the SPELL will meet again in June because the insurance market continues to be hardening dramatically which has extended the renewal negotiation process with most carriers. The market has been hardening for the last 18 months and COVID-19 has accentuated that process. He referred to the handout provided that outlines the

main coverage areas, including the carriers, and the estimated percentage increases. He reviewed each item in detail. He noted key categories where rate increases are predicted along with other likely changes.

Package Renewal - Mr. Hoffman reported that, despite the percentage increases predicted, the SPELL's 20 year partnership with Great American is playing favorably to us. He advised that the overall limit that Great American is willing to extend is changing from \$20M to \$15M. The \$5M difference has been secured with General Reinsurance Corporation to maintain the \$20M limit. Safety National remains on the statutory excess layer on the workers' compensation. It is good news that workers' compensation is flat in light of other market conditions.

Mr. Hoffman noted a significant change under the Educator's Legal Liability coverage. Historically, the SPELL JIF coverage has been full prior acts, with no retro date. Effective 7/1/2020, a retro date of 7/1/2009 will be added. This change is in response to the both the overall market place and, acutely, New Jersey and SAM legislation enacted with respect to the Reviver Law. He opined that being able to carry full prior acts for as long as the SPELL did in the market is somewhat unique and it goes back to the relationship the SPELL has had with Great American / Selective. Discussion ensued. For SAM claims, the GL policy will respond to applicable claim elements, as long as the member was part of the SPELL. As previously discussed, if a claim predates SPELL JIF membership, the GL coverage policy for the applicable member will have to be researched. The addition of a retro date is new, but limited to the ELL coverage. Mr. Hoffman advised that he is still in discussions with the carrier and could possibly get another 5 years on the 2009 date and he will provide an update in June.

Cyber Liability – Starr Indemnity & Liability Company – Mr. Hoffman noted that cyber coverage pricing and deductible options are up significantly as a result of market conditions and large losses over the past few years. He explained that the increases are not isolated to New Jersey, but are nationwide and that a massive market correction is occurring.

Mr. Colling expressed concern about going from a retention of \$10K to \$100K on the cyber coverage. He asked if there was a possibility of going from \$10K to \$50K or lower. He is worried for smaller districts, like his, who could find \$10K but not \$100K in the event of a claim. Mr. Tennant advised that discussions with the cyber carrier started early because that market is in distress. He explained that because schools are easy to attack, the carrier was not in favor of the lower retentions. Mr. Tennant conveyed that his office is in the process of sending out a supplemental questionnaire from the carrier that will provide member districts with the opportunity to qualify for a \$50K deductible. It will depend on what measures the district has taken, and continues to take, relative to protecting their cyber environment or cyber hygiene, e.g., phishing protection, training, password protection, etc.

Mr. Hoffman concluded that his office will be reviewing the proposal that was received and continuing those discussions with the carrier to the extent that they can. Mr. Colling thanked everyone for the discussion.

Crisis Protection Program – This program is replacing Violent Malicious Acts and Disaster Management Services. Mr. Hoffman advised that it is replacing, but both elements of coverage will remain and be greatly enhanced.

Pollution/Environmental – Mr. Hoffman stated that the Beazley renewal with pollution and environmental will be presented next month. The carrier's proposal was received yesterday and is being reviewed. Final update will be provided in June.

Preliminary Authorization to Bind Coverage – Mr. Hoffman asked for preliminary authorization to bind the coverages reviewed above today. He explained one of the disadvantages of the hard market is that quotes provided by the carrier are only in effect for 30 days. When the market is not in flux, that time frame is very flexible but carriers are holding to it with the state of the market. Mr. Hoffman would like

to bind coverage on the quotes received because it has the potential to get worse after that 30 day point. He will provide a full review of the coverage program in place and what the final premium adjustments, if applicable, at the June meeting.

Motion by Mr. Kaz, second by Mr. Wachter, granting preliminary authorization to bind package reinsurance coverage. All in favor. Motion carried by unanimous vote.

Financial Audit - June 30, 2019 – Mr. Hoffman reported that the audit previously provided to the Trustees prior to the meeting is clean, with no comments or recommendations by the auditor. The SPELL impact was reviewed at each of the owner group level finance meetings. He is recommending formal adoption by the Trustees so that the document can be filed with the Department of Banking and Insurance.

Motion by Mr. Kaz, second by Mr. Colling, to approve the June 19, 2019 audit as presented by the auditor.

Mr. Wachter and the rest of the Trustees thanked the Executive Director's office for their efforts on the audit.

Certificates of Insurance Report – Mr. Hoffman referred to the report included in the agenda packet. Any questions concerning the report can be directed to Jennifer Fox at the Administrator's office.

2. Executive Director

2020-2021 Membership Renewal – Mr. Wilkie discussed membership renewals for 2020-2021. He reported that 27 districts were up for membership renewal and 26 have renewed to date. The remaining district, Washington Township, in GCSSD, is performing a review of their program. The district chose Barclay Insurance to perform the independent review, as opposed to the independent company that was used previously. Mr. Wilkie advised that Washington Township has been with the JIF since 2005. Their Business Administrator, Ms. Meehan, retired last June. Mr. Wilkie indicated that there have been a number of conversations with individuals in the district. The process should be completed in the next month. Discussion followed.

Proposed Meeting Dates for 2020-2021 – Mr. Wilkie referred to the handout included in the agenda packet. He advised that the April 2, 2021 meeting date proposed is Good Friday and will be changed to the end of the month, April 23, 2021. All dates will be approved at the June meeting, whether meetings are held in person or remotely, depending on the Executive Order in place. Mr. Wilkie explained that moving the April meeting to the end of the month will provide more time to prepare for vendor review and renewal discussion this time next year. If there are any questions about any of those dates for next year, please contact the Executive Director's office.

Mr. Wilkie advised that the June meeting date wasn't previously advertised, however, with the situation and the current state of the market, felt it was necessary to meet again next month.

Motion by Mr. Colling, second by Mr. Wachter, to meet again on Friday, June 26, 2020, either in person or via video conference.

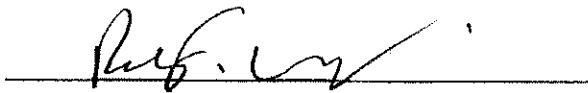
VI. MISCELLANEOUS BUSINESS AND PUBLIC COMMENT

The next meeting of the SPELL JIF is scheduled to be held on Friday, June 26, 2020 at 10:00 a.m. at the Gallagher offices, 6000 Sagamore Drive, Suite 6203, Marlton, NJ 08053 or via video conference.

VII. MOTION REQUESTED to adjourn the meeting

Motion by Mr. Kaz, second by Mr. Wachter, to adjourn the May 28, 2020 meeting of the SPELL JIF. All in favor. Motion carried by unanimous vote.

The meeting adjourned at 10:57 a.m.

A handwritten signature, appearing to be "Prof. Wachter", is written over a horizontal line.