BENEFITS OF THE COUNTY INSURANCE COMMISSION / CEL JIF PROGRAM

Introduction

The Burlington County Insurance Commission (BCIC) / County Excess Liability Joint Insurance Fund (CEL JIF) model allows Burlington County and affiliated agencies to effectively *"take control"* of our total *"cost of risk"* by creating a combination of pooled risk and group purchased programs for our insurance needs. Our expectation is that this approach will yield long term financial benefits for our agencies, since it is modeled after other highly successful programs that have been operating statewide for more than two (2) decades [JIFs / Municipal Excess Liability Fund (MEL)].

Benefits of the Overall Program

The concept of forming Insurance Commissions at the County level and allowing these entities to *"share services"* together at the initial excess layer (CEL JIF) is intended to accomplish a number of important objectives as follows:

- ***Modernized Approach to Managing Risk:*** The Insurance Commission / Excess Joint Insurance Fund Program represents a complete overhaul of how New Jersey Counties and affiliated entities procure insurance. This new approach is ***"state of the art"*** in terms of creating a modern, sophisticated approach to managing risk within County organizations.

- ***Efficient Method of Insurance Procurement:*** Historically, NJ Counties and their affiliated entities generally purchased insurance independently. This created tremendous redundancy and inefficiency.

- ***Proven Model Similar to JIFs:*** The blueprint for this program is a proven one. This program is modeled after the many highly successful municipality based Joint Insurance Funds located throughout the State of New Jersey. From a comparison standpoint, County Insurance Commissions are essentially *"Inter-County"* Joint Insurance Funds.

- ***CEL JIF Very Similar to Highly Successful MEL JIF:*** The County Excess Liability Joint Insurance Fund is very similar to the well proven Municipal Excess Liability Fund (MEL). Currently, more than a dozen Joint Insurance Funds in the state of New Jersey *"share"* and purchase a portion of their Liability coverage from the MEL. The MEL is now the largest Public Entity Risk Pool in the United States with member contributions of more than $180,000,000.

- ***Capitalizes on "Shared Services" Concept:*** The driver for these programs is the concept of *"shared services"*. The overall program utilizes shared services in three (3) basic ways:

  1. ***Inter-County:*** The County and its affiliated entities are joining a single Insurance Commission (i.e., Burlington County Insurance Commission {BCIC}) that is procuring Insurance, Loss Prevention Services and Claim Management Services on a "shared" basis.

  2. ***County to County (Statewide):*** The Burlington County Insurance Commission purchases excess coverage on a "shared" basis, state-wide with other Counties that elect to join the Excess Joint Insurance Fund.

  3. ***Shared Purchasing of Miscellaneous or Ancillary Coverages:*** In many cases, affiliated entities and the County were purchasing the same type of policies (i.e., Crime Coverage, Pollution Liability, Fiduciary Liability, Excess Liability, Medical Professional Liability and others). Our new approach will combine this purchasing on a group basis for efficiency, resulting in higher limits of insurance, broader coverage templates and better pricing structures going forward. Ultimately, these coverages may be included in the self-insured pool within the Insurance Commission as that pool strengthens overtime.

- ***Improved Claims Handling:*** With so many different carriers involved, there were a variety of methods used to manage claims with no consistent process. The Burlington County Insurance Commission will have a standard methodology for handling claims. We expect this to result in long term savings to the taxpayer because claims will be managed more effectively across the County and affiliated organizations. The cost of claims is the key driver in the Insurance Commission budgets.

- ***Focused Safety/Training/Loss Prevention:*** While the Counties and their affiliates do have Safety Programs, the Commission will focus a tremendous amount of attention on Safety and Loss Control. This focus will be applied on a consistent basis throughout the Commission organizations. The "template" for Safety and Loss Prevention will be similar to what has been used for years in many successful New Jersey based Joint Insurance Funds (JIFs) and the Municipal Excess Liability Joint Insurance Fund (MEL), now the largest Public Entity Shared Insurance Pool in the Unites States. The MEL and associated JIFs have been enormously successful organizations, saving taxpayers millions of dollars over time. ***It is important to note that the majority of cost incurred by the County and its affiliates is driven by losses (or "claims"), not by premiums.***

- ***Consistency of Coverage:*** Coverages are definitely more consistent and generally broader in the Insurance Commission / Joint Insurance Fund arrangement we have enacted. In the past, while all entities purchased General Liability Coverage for example, the coverage templates were not the same, resulting in inconsistent coverage throughout the County and its affiliated organizations.

- ***Retention of Underwriting Profit:*** Currently, when Counties or affiliated entities have good loss years, the insurance companies end up earning all the profit. This approach will allow the County and its affiliates to retain their own underwriting profit.

- ***Investment Income:*** Because claims are paid out over a period of years and insurance carriers typically collect money up front, the insurance carriers benefit by earning investment income on taxpayer dollars. Going forward, this "float" will accrue to the benefit of the taxpayer.

- ***Insurance Price Fluctuations:*** The insurance markets can change dramatically in terms of pricing and availability of coverage from one year to the next and at times it is difficult to predict or budget for these variations. This type of Public Entity Risk Pool will mitigate those fluctuations. This can be important since Counties and affiliated agencies budget for insurance premium each year and can ill afford dramatic fluctuations in cost.

- ***Improved "Buying Power" Over Time:*** As the program grows over time (i.e., more Counties involved), the buying power of the combined entity grows significantly. This should lead to greater premium rate reductions over the long term. This is exactly what the municipalities involved in the JIFs and MEL have experienced. Estimated savings to taxpayers in those programs has exceeded $850 million over the last twenty (20) years. ***The JIF/MEL combination is the most successful shared services program in the history of the State of New Jersey.*** We are constructing the same program here and expect similar long term success.

- ***More Efficient Approach for County Risk Personnel:*** The amount of efficiency that gets "built in" to the insurance procurement process is staggering (far fewer carriers, policies, brokers, RFP processes, etc.).

- ***Control of Program Parameters and Management:*** The control offered the County and its affiliates by this program is exceptional across the board.

  - Coverage consistency;
  - Tremendous control of the claims process; and
  - Consistent approach to safety, loss prevention and risk management in general.

- ***"Hidden Costs":*** Cost savings are likely found by simply consolidating the administration of insurance programs throughout the County and affiliated organizations. A significant amount of work is created with more than 50 insurance renewals occurring throughout the year. The new approach will "free-up" some people who might currently manage these renewals as some part of their overall responsibility. Our new structure will limit interaction on our Risk Management Programs to those employees with the most expertise in this important area.

As you can see from the information provided above, there is strong evidence to support this type of insurance structure for Burlington County and its affiliated agencies, with the end goal of saving taxpayer dollars.