

REPORT ON TARGET EXAMINATION
OF THE
SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
9 CAMPUS DRIVE, SUITE 216
PARSIPPANY, NEW JERSEY 07054
AS AT DECEMBER 31, 2015

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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Governor

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Lt. Governor

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Commissioner

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Director

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March 7,, 2017

Honorable Richard J. Badolato
Commissioner
Banking and Insurance State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets, liabilities, and excess insurance/reinsurance of the:

The Southern New Jersey Regional Employee Benefits Fund
PERMA Risk Management Services,
9 Campus Drive, Suite 216
Parsippany, NJ 07054

hereinafter referred to in this report as the "Fund."

SCOPE OF EXAMINATION

This financial condition examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted under the provisions of **N.J.S.A. 40A:10-47** of the New Jersey Revised Statutes.

The examination was completed as of December 31, 2015. The examination was limited to the assets and liabilities reported by the Fund and included a review of corporate governance as well as other administrative functions and the excess insurance program in place at December 31,

2015. The examination was conducted at the office of the Fund's Executive Director, PERMA Risk Management Services, 9 Campus Drive, Suite 216 Parsippany, New Jersey 07054.

The conduct of the examination was governed by the procedures outlined in the National Association of Insurance Commissioners Financial Condition Handbook and followed accepted procedures of regulatory authorities and generally accepted insurance company examination standards. In determining the emphasis to be placed on specific accounts, consideration was given to the Fund's system of internal control, the nature and size of each account, its relative importance to solvency and the results of the previous financial condition examination.

In the verification of matters as shown in this report, limited test checks were made, some complete and others partial. Consideration was allowed for limiting the verification on certain accounts at a point where they were determined to be substantially correct or the account under review was considered insignificant and not crucial to the Fund's solvency.

HISTORY

The Southern New Jersey Regional Employee Benefits Fund (the "Fund") was formed as a purchasing group effective August 1, 1992 and became a member of the Bergen Municipal Employee Benefits Fund (B-Med) as of September 1, 1992. In 1995 the Fund became an independent health insurance joint insurance fund pursuant to **N.J.S.A 40A:10-36** et. seq. and **N.J.A.C. 11:15-3** when the Fund received approval from the New Jersey Department of Insurance.

The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Fund was established for the purpose of containing medical costs. During the Fund's initial period, any local unit which was a member of the Camden County Municipal Joint Insurance Fund, the Professional Municipal Management Joint Insurance Fund or the Burlington County Municipal Joint Insurance Fund could become a part of the Fund's initial application. Thereafter, the Commissioners/Executive Committee of the Fund may approve subsequent membership by a two-thirds vote of the full authorized membership or may terminate any member by a majority vote, after proper notice has been given.

All members' assessments, including a reserve for contingencies, are based on annual actuarial assumptions determined by the Fund's Actuary and on monthly and quarterly adjustments determined by the Fund's Actuary based on actual loss experience. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Fund offers the following coverages to its members:

- Medical
- Dental
- Prescription
- Vision

The Fund provides coverage on a self-insured basis and secures reinsurance in a form and an amount from an insurance company acceptable to the Commissioner of Insurance.

Effective January 1, 1999, the Fund became a member of the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The MRHIF is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of providing excess health insurance coverage to participating members. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the MRHIF are elected. As a member of the MRHIF, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the MRHIF were to be exhausted, members would become jointly and severely liable for the MRHIF's liabilities. The MRHIF can declare and distribute dividends to members upon approval of the State of New Jersey Department of Insurance. These distributions are divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership for that fund year.

The Address of the registered agent upon whom process may be served at December 31, 2015 was obtained and is noted below:

PERMA Risk Management Services
9 Campus Drive, Suite 216
Parsippany, New Jersey 07054.

MANAGEMENT AND CONTROL

Each participating Local Unit shall appoint one Commissioner to represent the Local Unit as a Representative to the Fund. The person appointed shall be either a member of its governing body, or one of its employees. Each participating Local Unit may also appoint an alternate Fund Commissioner who shall be a member of its governing body Board, or one of its employees, who shall serve as the Fund Commissioner in the absence of the appointed regular Fund Commissioner. In the event that the number of local units represented is an even number, an additional commissioner shall be annually selected by the participating local units on a rotating basis. If the total number of member local units exceeds seven, the commissioners shall annually meet to select a committee of seven which includes the Chairman and Secretary to serve as the Executive Committee of the Fund.

Each term of office shall expire on January 1 or when a successor is duly appointed and qualified in accordance with the Fund's By-laws. The Commissioners shall hold office for two years or the remainder of their terms as elected officials, whichever shall be less, except that those Commissioners who are employees of the member local unit shall serve at the pleasure of the appointing authority. The unexpired term of a commissioner shall be filled by the appointing local unit in the manner generally prescribed by law or provided by its bylaws. Fund Commissioners can be removed from office for cause by two-thirds (2/3) vote of the full membership of Fund Commissioners. The Fund Commissioners are hereby required, authorized and empowered to operate the Fund in accordance with the By-laws and appropriate State laws and regulations. Pursuant to **N.J.S.A. 40A:9-22.6**, Commissioners are required to file an annual Financial Disclosure Statement with the Local Finance Board. All local government officers and employees of the SNJHIF appropriately filed the form in 2015.

The following is listing of Board Representatives and Commissioners serving at December 31, 2015.

<u>COMMISSIONER</u>	<u>MUNICIPALITY</u>	<u>TITLE</u>
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David Pawlowski	Alexandria BOE	Commissioner
Terry Shannon	Borough of Barrington	Executive Committee Member
Louis DiAngelo	Borough of Bellmawr	Executive Committee Member
Amy Capriotti	Bellmawr BOE	Commissioner
Frank Domin	Berlin Borough BOE	Commissioner
Jean Grubb	Black Horse Pike BOE	Commissioner
Frank Nucera	Bordentown	Commissioner
Nicole M. Schoener	Bridgeton BOE	Commissioner
Michael F Mevoli	Brooklawn	Chair
Raymond Coxe	Burlington City BOE	Commissioner
Mary Ann Bell	Burlington Twp BOE	Commissioner
Alice Bresett	Byram BOE	Commissioner
Edward Hill	Camden County Board of Social Services	Executive Committee Alternate
Michael Blunt	Borough of Chesilhurst	Commissioner
Thomas Egan	Cinnaminson Twp BOE	Commissioner
Beth Ann Coleman	Collingswood BOE	Commissioner
Pamela Zook	Commercial Township BOE	Commissioner
Bruce Harbinson	Cumberland BOE	Commissioner
Gene Mercoli	Cumberland County Tech Ed	Executive Committee Alternate
Joseph Collins	Delsea Regional BOE	Executive Committee Alternate
Stephen Hoffman	EIRC	Commissioner
Melissa Livengood	Florence Twp. BOE	Commissioner
Christopher Lessard	Frankford Twp BOE	Commissioner
Debra Fourre	Township of Franklin	Commissioner
Open	Borough of Gibbsboro	
Jack Lipsett	City of Gloucester	Executive Committee Member
Neal Rochford	Borough of Haddonfield	Executive Committee Member
Kelly Santosusso	Borough of Haddon Heights	Commissioner
James Sekelsky	Hardyston Twp BOE	Commissioner
Stephanie Kuntz	Hopewell BOE	Commissioner
Ken Verill	Leap Academy	Commissioner
Open	Borough of Lindenwold	
Janine Wechter	Logan Township BOE	Commissioner
Shannon DuBois	Lower Alloways BOE	Commissioner
Michael Mansdoerfer	Borough of Lumberton	Commissioner
Richard Michielli	Borough of Magnolia	Executive Committee Member
Denise Menella	Mantua Township BOE	Commissioner
Michael Colling	Medford Lakes BOE	Commissioner
Chad Fires	Medford Township BOE	Commissioner
Edward Brennan	Borough of Merchantville	Commissioner
Constance Mahon	Township of Middle	Commissioner
Bryce Kell	Millville BOE	Commissioner

Open	Millville Library	
Douglas McGarry	Millville Public Charter Schools	Commissioner
Paul Whitman	Moorestown BOE	Commissioner
Robert Maybury	Mount Holly MUA	Commissioner
Joseph Wolk	Borough of Mt Ephraim	Secretary
Evon DiGangi	Mt. Holly Twp. BOE	Commissioner
Robert Wachter	Mt. Laurel BOE	Commissioner
Cindy A Dye	Township of North Hanover	Commissioner
John Giovannitti	Borough of Paulsboro	Commissioner
Open	Township of Pennsauken	
Patricia Hendricks	Borough of Pine Hill	Commissioner
Michael Razze	Borough of Pitman	Commissioner
Lisa Giovanelli	Rancocas Valley Regional BOE	Commissioner
Meghan Jack	Township of Riverside	Commissioner
Jodi Lennon	Riverside Twp. BOE	Commissioner
Eleanor Kelly	Borough of Runnemede	Commissioner
Gary Passanante	Borough of Somerdale,	Commissioner
Barbara Godfrey	Township of Southampton	Commissioner
Christopher J. DeStratis	Swedesboro-Woolwich BOE	Commissioner
Noreen Boston	Tabernacle BOE	Commissioner
Richard Schwab	Treasurer	Commissioner
Cherie Ludy	Upper Deerfield BOE	Commissioner
Lisa DiNovi	Upper Pittsgrove BOE	Commissioner
Karen Sweeney	Borough of Wenonah	Commissioner
William Bittner	Borough of Westville	Commissioner
Open	Township of Willingboro	
Michael Scardino	Winslow Fire District	Commissioner
Scott Henry	Woodbury Heights BOE	Commissioner
Joe Hiles	Borough of Woodstown	Commissioner
Frank Rizzo	Woodstown-Pilesgrove BOE	Commissioner

The following is a listing of committees maintained by the Fund at December 31, 2015.

- Executive Committee
- Finance Committee
- Contracts Committee
- Claims Committee
- Nominating Committee

INSURANCE AND EXCESS INSURANCE

The Fund is a self-administered group of local government entities formed for the purpose of providing employee benefits for its members. The following coverage's are offered by the Fund to its members at the choice of the individual member unit.

- Medical
- Dental
- Prescription
- Vision

The coverage the Fund provides is unlimited coverage for each specific claim. The Fund is a member of the Municipal Reinsurance Health Insurance Fund (MRHIF). As a member of MRHIF the Fund is provided excess insurance/reinsurance protection as follows:

Specific Excess

\$700,000 less self-insured retention, (SIR) of \$300,000 with coverage provided by MRHIF. Munich American Reinsurance Company provides unlimited coverage above the combined MRHIF and member SIR of \$700,000 through a reinsurance agreement with MRHIF

Aggregate

\$10,000,000 in excess of the Fund's aggregate retention as noted above is provided by Munich American Reinsurance Company through a reinsurance agreement with MRHIF.

AUDITED FINANCIAL REPORT

Pursuant to **N.J.S.A. 40A:10-46** and **N.J.A.C. 11:2-26.4** an annual audit was performed by the CPA firm Bowman & Company, LLP and an audited financial CPA report was filed with the Commissioner of the Department of Banking and Insurance.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A – Balance Sheet as of December 31, 2015

Exhibit B – Comparative Statements of Revenues, Expenses and Changes in Net Position for the Years Ended December 31, 2015 And 2014

EXHIBIT-A

SOUTHERN NEW JERSEY REGIONAL MUNICIPAL EMPLOYEE BENEFITS FUND
BALANCE SHEET AS OF DECEMBER 31, 2015

ASSETS

Cash	\$47,697,477
Investments	12,139,552
Contributions Receivable	5,565,783
Refund Receivable	65,985
Claim Advances Receivable	144,040
Accrued Interest Receivable	20,049
Excess Insurance Receivable	2,966,214
Total Assets	<u>\$68,599,100</u>

LIABILITIES AND RESERVES

Accrued Insurance Premium	\$5,753,845
Accrued Expenses	664,983
Return Of Surplus	<u>9,255</u>
Total Liabilities	<u>6,428,083</u>
Reserves - Actuarial Liability	<u>15,900,000</u>
Total Liabilities and Reserves	<u>\$22,328,083</u>
Net Assets Unrestricted	<u>\$46,271,017</u>
Total Liabilities, Reserves and Net Assets	<u>\$68,599,100</u>

EXHIBIT-B

SOUTHERN NEW JERSEY REGIONAL MUNICIPAL EMPLOYEE BENEFITS FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue:		
Regular Contributions	\$ <u>190,862,138</u>	\$ <u>145,369,472</u>
Operating Expenses:		
Provision for Claims and Claims Adjustment Expenses	\$ 153,780,171	\$ 115,371,962
Reinsurance	8,597,404	5,856,325
State Health Benefits Program Surcharge Premium	2,226,517	2,413,595
Affordable Care Act Taxes/HMO/PPO Premiums	1,172,600	1,326,969
Administration	<u>13,308,923</u>	<u>10,034,240</u>
Total Operating Expenses	\$ <u>179,085,615</u>	\$ <u>135,003,091</u>
Operating Income	\$ <u>11,776,523</u>	\$ <u>10,366,381</u>
Nonoperating Revenue/(Expenses):		
Investment Income	\$ 128,558	\$ 53,387
Municipal Reinsurance Health Insurance Fund Dividend	1,718,364	1,925,365
Change In Investment in Joint Venture	<u>(4,687,301)</u>	<u>188,059</u>
Total Nonoperating Revenue	\$ <u>(2,840,379)</u>	\$ <u>2,166,811</u>
Change in Net Position	\$ 8,936,144	\$ 12,533,192
Net Position, Beginning of Year	\$ 38,506,426	\$ 27,726,809
Return Of Surplus	<u>(1,171,553)</u>	<u>(1,753,575)</u>
Net Position, End of Year	\$ <u><u>46,271,017</u></u>	\$ <u><u>38,506,426</u></u>

LOSS RESERVES/IBNR

The Loss Reserves/IBNR as established by the Fund at December 31, 2015 totaled \$15,900,000. The reserves as reported were tested for reasonableness by the performance of a six month run off of the payments made in 2016. This review indicated that the reserves reported by the Fund were adequate.

Paid losses were reconciled to Fund reports and no material exceptions were noted. Samples of payments were reviewed and traced to supporting documentation.

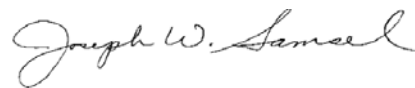
SUBSEQUENT EVENTS

Effective January 1, 2016, certain members of the fund transferred their equity interest in the Southern New Jersey Regional Employee Benefits Fund to form two new health insurance funds consisting of the Schools Health Insurance Fund and the Southern Coastal Regional Employee Benefits Fund. As such the Funds became independent health insurance funds pursuant to **N.J.S.A. 40A: 10-36** et. seq. and **N.J.A.C. 11:15-3**. when the Fund received approval from the New Jersey Department of Insurance.

ACKNOWLEDGEMENT

The examination was completed at the office of the Fund’s Executive Director, PERMA Risk Management Services, 9 Campus Drive, Suite 216, Parsippany, New Jersey 07054. We would like to acknowledge the courtesy and assistance extended to us by the officials of the Fund during our examination.

Respectfully Submitted,

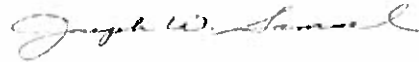


Joseph Samsel CFE, CICA
Examiner-In-Charge
New Jersey Department of Banking and Insurance

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

I, Joseph Samsel, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2015 to the best of my information, knowledge and belief.

Respectfully Submitted,



Joseph Samsel CFE, CICA
Examiner-In-Charge
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 20th day of June 2017.


Notary Public of New Jersey

SHEILA M. TKACS
NOTARY PUBLIC
STATE OF NEW JERSEY
My Commission Expires: July 2020