PASSAIC VALLEY WATER COMMISSION INSURANCE COMMITTEE

MEETING OF

NOVEMBER 20, 2012

(OPEN SESSION)

C O M M I S S I O N E R S P R E S E N T:

MENACHEM BAZIAN, Commissioner, (Chairman of the Committee)

ROBERT VANNOY, President of the Commission

THOMAS P. DeVITA, Commissioner

A L S O P R E S E N T:

JOSEPH A. BELLA, Executive Director

GEORGE T. HANLEY, Counsel

JAMES J. GALLAGHER, Personnel Director

YITZ WEISS, Comptroller

LOUIS AMODIO, Administrative Secretary

JOHN KELLY, General Supervisor, Water/TA

KATHY YOUNG, Alamo Insurance Group, Risk Manager

MATTHEW STRUCK, Brown & Brown Insurance

DOMINICK CINELLI, Brown & Brown Insurance

KATHY KISSANE, Scibal Associates

TRACEY LOREAUX, Scibal Associates

MR. AMODIO: Meeting to order.

CHAIRPERSON BAZIAN: 12:19.

Ladies and gentlemen, off the record before we get started.

(Off the record discussion)

MR. AMODIO: Roll call.

(Roll call was taken, all Commissioners respond in the affirmative)

MR. AMODIO: Time is 12:20.

All of the requirements of the open public have been met. Self-insurance committee meeting notice have been furnished to all Commissioners, City Clerks of Paterson, Passaic, and Clifton, North Jersey Herald News, The Record - Passaic County edition and the Commission's Executive Staff with a copy posted on the main bulletin board.

If you'd like to start, I believe, Mr. Struck.

CHAIRPERSON BAZIAN: Before we get started, let's just take 30 seconds to go around the room, everybody introduce yourselves, who you work for, what you do, what crimes you committed that have gotten you before this Board.

We'll start off with John.

MR. KELLY: John Kelly - Passaic Valley Water Commission, Law Department.

COMMISSIONER VANNOY: Commissioner Vannoy.

COMMISSIONER DeVITA: Tom DeVita.

MR. STRUCK: Matthew Struck - Brown & Brown.

MS. YOUNG: Kathy Young - Alamo, self-insured.

MR. CINELLI: Dominick Cinelli --

MS. YOUNG: What I do?

CHAIRPERSON BAZIAN: Yes, please. Very quickly.

MS. YOUNG: Lost control, marketing, underwriting.

MR. CINELLI: Dominick Cinelli - Brown & Brown.

MS. KISSANE: Kathy Kissane - Scibal Associates. I'm an account manager, also liability supervisor.

MS. LOREAUX: Tracey Loreaux, I also work for Scibal and I supervise the workers' comp.

MR. HANLEY: George Hanley, general counsel of insurance MEL/JIF.

MR. GALLAGHER: Jim Gallagher - Menachem Bazian's indentured servant.

MR. AMODIO: Louis Amodio - Passaic Valley Water, never convicted.

Everyone has an agenda?

We have under number one, Contractor's Insurer's Endorsement and MEL/JIF Excess Coverage.

If someone would like to start.

Dominick?

MR. STRUCK: Was that a specific request?

MR. AMODIO: Yes, Kathy Young.

MS. YOUNG: I did?

MR. AMODIO: It came in your e-mail.

MS. YOUNG: I'll address it. Well, I have a lot of, not issues, but a lot of things to address.

Contractor's Insurer's Endorsement and MEL/JIF Excess Coverage. I didn't but that on the agenda so I'm not real sure, you know, what --

MR. HANLEY: Just so you understand, this is sort of an outline. It's basically a skeleton of last meeting's agenda as a follow-up plus whatever any of you asked to be added.

MS. YOUNG: Okay.

MR. HANLEY: So if you don't think it's important to cover, you can skip over it.

MS. YOUNG: Okay. The General Liability Endorsement MEL/JIF: Other Insurance.

That was an endorsement that was issued just to clarify the other insurance provision under the general liability policy. It just makes clear where if there's two policies involved, you know, which insurance would be primary; what their contribution between the two coverages would be.

CHAIRPERSON BAZIAN: Just for my own personal edification the term "endorsement" is basically an addition, an add on --

MS. YOUNG: Yes, that would be something that would be modified during the course of the contract term. You would have an endorsement. You know, adding something to the policy or perhaps deleting something.

Let's say you added an automobile, then there could be an endorsement adding a vehicle. If you're deleting an auto, it would specifically say, "we're deleting."

In this specific case, this was an endorsement that was issued to the policy, just from an underwriting standpoint, to clarify the other insurance provision.

CHAIRPERSON BAZIAN: Update on the Submission on the Excess Liability.

MS. YOUNG: Okay. On the excess liability, I did receive a renewal from Turrus. Turrus is the insurance company that you were with on the excess policy. The premium did go up slightly. I went back to the underwriter. They also on the Turrus policy, they added an exclusion for reservoirs, which was not on the policy last year. So I had asked them to go back to the company and amend the premium, try to get it as close to expiring as possible and eliminate the reservoir exclusion. And I did get confirmation late yesterday afternoon that they were willing to do that. So the policy --

COMMISSIONER DeVITA: They were or weren't?

MS. YOUNG: They were willing to do that.

So the Turrus policy, and I have the quote in front of me, will be the same as expiring. And the expiring was, let's see, 2013 to 2014. The renewal premium came in based on the same terms and conditions of the prior year at 149,997.

CHAIRPERSON BAZIAN: So that's what we paid last year -- that's what we paid this year.

MS. YOUNG: That's what they came in at, no. And that would've included the reservoir exclusion.

I'm just looking for the premium for last year. It was, I think, 139 -- the coverage is going to be renewed based on the expiring premium from last year.

MR. KELLY: Is that annual?

MS. YOUNG: Yes, yes.

COMMISSIONER DeVITA: But it went up 10,000.

MS. YOUNG: It actually went up -- no, it didn't go up 10,000. I think it went up like $500, if I remember correctly.

COMMISSIONER DeVITA: You said a hundred.

MS. YOUNG: Right. But what I'm saying to you is that was the initial quote they gave me with the exclusion on the reservoir. And I went back to them and said, ut un, I want the exclusion removed and I want you to renew the premium based on expiring. So basically, the coverage is being renewed as per the expiring.

Now, that doesn't necessarily mean -- we marketed it to other carriers as well, but I did not receive the renewal numbers or quotes back from the alternate markets. I will present that as soon as I get that information, which should probably be within a week.

CHAIRPERSON BAZIAN: So before we do that, do we have another meeting to go over that, George?

MR. HANLEY: You're going to get another quote or more?

MS. YOUNG: Yes, that's correct.

COMMISSIONER DeVITA: We're going to take the best quote, no?

MS. YOUNG: Well, the best quote and the best terms and conditions.

MR. HANLEY: With equal terms.

MS. YOUNG: Yes, absolutely. With equal or better terms.

MR. CINELLI: Once they received all the quotes and so forth, once everything is finalized, the final numbers, the JIF will put it in. We'll take that information to that December meeting, give you that information for your agenda, and have a recommendation for the Commissioners at that meeting. Similar to what we've done in the past.

CHAIRPERSON BAZIAN: Will you share the details of the various quotes with me?

MS. YOUNG: Absolutely.

CHAIRPERSON BAZIAN: So when you get that, if you can just forward it out to us, you can send it to Lou.

MS. YOUNG: Okay.

CHAIRPERSON BAZIAN: Commissioner DeVita.

COMMISSIONER DeVITA: I have a question. Since we're a water purveyor, I'm kind of lost with the excluding reservoir.

MS. YOUNG: Well, we're excluding dams, also. You have an exclusion on your excess policy for dams.

The reason why you have the exclusion is most carriers, when you're not providing full limits, your damn coverage for liability under the JIF is limited to 4 million. So you have a $4 million sub-limit under the MEL/JIF program and usually on an excess basis, your excess carrier is where your umbrella carriers don't want to provide coverage when there's a sub-limit involved. So you have no coverage for dams under the excess policy and the dam liability under the MEL/JIF program is limited to 4 million.

CHAIRPERSON BAZIAN: So if we have an incident with our dams were damaged in excess of $4 million, we're host.

MS. YOUNG: Correct.

CHAIRPERSON BAZIAN: Dominick, is that something we should be looking at?

MR. CINELLI: The problem is, is there a market that would write that. You can go to Lloyds you could pay umpteen million dollars for this.

CHAIRPERSON BAZIAN: You asked the question, so I'll ask the question of you. Is there a market that will write this?

MR. CINELLI: From a cost standpoint, no. But we can direct a broker to go out and get that and the committee can have it.

We discussed this when we had that issue when we had that dam claim, George, right, so forth like that.

The problem is the way the policy is written. Prior to us going in the JIF, we didn't have coverage at all. By going into the JIF, we were able to get the $4 million supplement policy.

So the question is, 4 million is not

enough, okay, how much more do we need. And from an engineering standpoint, is Jim here, how much more would we need from a liability standpoint in dam coverage? Is a hundred million enough?

CHAIRPERSON BAZIAN: Here's my question. As our risk manager, could you look into this issue, come back to us. Since we're meeting quarterly, I'd like to hear back from you earlier than quarterly, if possible.

MR. CINELLI: I'll have an answer for you before the renewal.

CHAIRPERSON BAZIAN: Yes, absolutely.

MR. STRUCK: We also looked into, we need to find out from the excess carriers if they'll write in with a different attachment. We don't know what kind of variability they have, but if they couldn't put a different attachment point in, we may also end up self-insuring a chunk out of the middle and then having coverage over the top. You're talking about liability coverage, so you're still going to retain some of your Title 59 immunity. It's going --

MR. CINELLI: Following up on what Matt said, the Port Authority with our bridges and tunnels, okay, at that time, going back 20 something, we would have $10 million worth of coverage on certain bridges and tunnels. When the hard market hit in 1985, I think it was right over the $10 million.

So the Port Authority through its self-insurance retention of that 10 million extra 10, bought coverage for 20 million. So we had a self-insured retention of hundred thousand, had coverage up to ten million, had a self-insurance of another ten and bought coverage of 20 million over and above.

So instead of taking your self-insured retention in a lower level, you take it at a middle level and see if that makes sense.

CHAIRPERSON BAZIAN: John.

MR. KELLY: Question. You said reservoirs. Is it reservoir or reservoirs?

MS. YOUNG: It's all the reservoirs.

MR. KELLY: So all --

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: Dominick, I'd like you to make sure you touch base with Engineering, but also with George, because there are some potential litigations that might be coming down the pike and if George could provide any idea as to, I don't know if he has, to what we might be looking at, whatever. We don't have to go through it here. But if we're looking at some kind of break for additional self-insurance, let us know in case we have to start preparing, funding that somehow; we have to budget for that.

CNA Site Visit.

Are we done with item (c), the Excess Liability?

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: CNA Site Visit.

MS. YOUNG: The CNA Site Visit, I actually got the report back from the underwriter and that was the generators are presenting an issue.

MR. AMODIO: Hydro turbine generators.

MS. YOUNG: Yeah, I'm just looking for the --

MR. AMODIO: The concern was replacement parts.

MS. YOUNG: Because they were old.

MR. AMODIO: Yes. And Kevin Byrne addressed that in his e-mails with Matt, between the three of us.

MR. STRUCK: I think that their concern is, they don't want to cover them unless there's the point of being functional because of their age and because of how they feel it's available.

MS. YOUNG: Yeah, basically, what happened is CNA made the site visit out here. They looked at the generators and they had indicated that the generators were 70 years old. The generators are over 70 years old. This was from Kevin.

MR. AMODIO: Kevin Byrne.

MS. YOUNG: Kevin Byrne, yes.

MR. AMODIO: Kevin Byrne is our engineer.

MS. YOUNG: Okay. The e-mail from the underwriter, "Here is a response from CNA Boiler Machinery underwriter and their Engineering Department.

As per prior discussion, at this time these hydro turbine generators are in need of repair. They are vintage 1938, so spare parts, if any, would not be readily available. We would need to know the length of the project and what is actually being done to repair the equipment. Our Engineering Department will need to be involved during this period. If repairs that are made are acceptable, we would then offer insurance with the same deductible as the wind turbine."

So, basically, what the underwriter is

saying is effective January 1, 2013, these generators are going to be excluded from coverage.

I had received information, an e-mail back from Kevin Byrne, you know, relative to the generators and he indicated that "The generators are over 70 years old but can be refurbished as they were back in 1997. Unit 1 is basically complete, but still needs some final tuning. Units 2, 3, and 4 are in varying states of disrepair, but we plan on working on these under a bid contract in 2013 or 2014."

So, basically, what happened was the underwriter said, okay, the unit number 1 may be ready and they will afford coverage effective January 1, 2013. But until the other three units are assembled, then we don't have any coverage for them.

CHAIRPERSON BAZIAN: Joe.

MR. BELLA: I don't think it's a problem. It's not a problem.

MR. KELLY: Dominick, that's my question to you. Last year's underwriter didn't bring it up, it's a new underwriter?

MS. YOUNG: No, it's not a new underwriter. It's the same underwriter.

MR. KELLY: The last five, six years?

MS. YOUNG: Yeah, it's the same underwriter for the MEL/JIF, yes. Because CNA came in here and did the site inspection and picked up on the generators.

MR. KELLY: Yeah, I was with them.

MS. YOUNG: Okay. So previous to that maybe they didn't pick up on the generators and this was something that they picked up and started to discuss the age of the generator --

MR. KELLY: The reason I asked that is because last year I took them to the same generators. 2009 went to the same generators. 2008. All of a sudden this year, I don't see -- I could be wrong, I don't see anything.

MR. BELLA: I don't see any problems. I mean, the three of them won't be ready to run for maybe the next year or so. We're getting ready to go out to bid. Whether or not we cover them or not is not an issue. Number 1 should be ready within the next couple of months.

MS. YOUNG: Right.

MR. AMODIO: They're willing to insure that.

MS. YOUNG: We're okay with unit 1. But

it's the other three units.

MR. HANLEY: So wait a minute, you're saying we're not using them now?

MR. BELLA: That's correct.

MR. HANLEY: Oh.

MS. YOUNG: They're not in use because they have to be refurbished.

MR. HANLEY: We don't need to use them.

MS. YOUNG: Right.

MR. STRUCK: I think the primary concern is their value. CNA doesn't want to insure their value until they know they're actually going to be functioning because of the age. So we're going to need to include CNA --

MR. HANLEY: That's not what I'm hearing. I'm hearing that we're not using them.

MR. KELLY: They're insured, right?

MR. STRUCK: Well, 2, 3 and 4 are set to go back into use, right?

MS. YOUNG: Not till they're refurbished.

MR. BELLA: After they're refurbished.

MR. HANLEY: So why would we cover them now anyway? We're not using them.

MS. YOUNG: Right. If they're not in use. I mean, there's still an exposure there; but.

MR. HANLEY: Exposure for what?

MR. CINELLI: Suppose there's a fire or explosion or something.

MR. HANLEY: You mean as a backup?

MR. CINELLI: Yeah, I mean, you're not using them, but --

MR. BELLA: Fire is an issue if they're in service. If they're out of service, fire is not an issue with them. Possibly if they flood, that would be --

MR. KELLY: So Dominick, we're paying for something that's not even running.

MR. CINELLI: It's still physically there. Okay. You have this building. This room and that room is not in operation. You don't go back to the insurance company and say, delete these two rooms. They're still insuring the entire operation, so forth.

MR. KELLY: Once this policy runs out, they're not insuring.

CHAIRPERSON BAZIAN: What they're going to do is, if I understand correctly, if the entire facility is worth, let's say, a billion dollars and the assigned value to these three generators would be a million dollars, so from here on in they're going to insure one billion less a million dollars until they're refurbished.

MS. YOUNG: Correct, yes.

CHAIRPERSON BAZIAN: So if something happens and the entire facility gets swallowed into the earth, we will not get the replacement value for those particular units which we're not using anyway.

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: That does involve a net cost to the Commission because we're refurbishing them and we have to get them new and, you know, whatever it is it would cost us more under those circumstances, but it doesn't seem like a huge deal if I'm understanding Joe correctly.

MS. YOUNG: Yes, you are.

MR. STRUCK: Once they get to the point where you can put them back in use, you can have CNA come in, look at them, and say --

MR. CINELLI: I just asked the Executive Director. A lot of this refurbishing is done off-site. We want to get the contractors from off site coverage for this as far as it's in their care, custody, and control. So we want to look at their insurance.

So in essence, what you're doing is, you have it off your premises. They should be giving us coverage while it's in their custody and control. Once we take it back, then we put it back in, cover it, and give us the certification.

MR. KELLY: Recertify it.

CHAIRPERSON BAZIAN: I'm sorry, ma'am, I don't remember your name.

MS. YOUNG: Kathy.

CHAIRPERSON BAZIAN: Kathy, I'm sorry.

MR. CINELLI: I didn't let her finish.

CHAIRPERSON BAZIAN: Kathy, when they are refurbished.

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: So then we can get an endorsement covering?

MS. YOUNG: Yes. Well, actually, basically, what's going to happen with a refurbish, we're going to have to get CNA, they're going to have to come out and reinspect; give us the okay, you're fine. Get back on the policy.

CHAIRPERSON BAZIAN: And then they'll be able to add it back on?

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: Okay. Fine.

Moving along; Claim Data.

MS. YOUNG: I'm still not done.

CHAIRPERSON BAZIAN: I apologize.

MS. YOUNG: Okay. I have a little laundry list here. That's why I was a little confused in the beginning.

Okay. How about some good news, okay.

CHAIRPERSON BAZIAN: Always up for good news.

MS. YOUNG: Dividend check.

CHAIRPERSON BAZIAN: How much am I getting?

MS. YOUNG: Twenty-seven thousand nine hundred sixty-seven dollars.

CHAIRPERSON BAZIAN: And because I'm the chairman, I get a cut of that, right?

MR. AMODIO: No.

MR. STRUCK: Well, it's made out to cash.

MS. YOUNG: I just want to let you know because I was trying to bring in as many renewal numbers as I can for you. And basically, the assessment that I'm going to go over with you now is all inclusive for your MEL/JIF program. Exclusive of the excess policy that we spoke about. I think that's the only monoline policy that I'm involved with. All right.

So the assessment is, your 2013 assessment is going to be $525,147. You're going to be getting a dividend check back in the amount of 27,957 and you have two options here to utilize this dividend check; you can either get a check back, request a check, let me know, you have to sign off and we will send the authority to draw the Commission the check. Or you can apply that 27,000 to the assessment.

CHAIRPERSON BAZIAN: Yitz.

MS. YOUNG: So whatever you would like to do, just let me know. We can fill out the appropriate forms and we're on our way.

CHAIRPERSON BAZIAN: Dominick, you were going to say something.

MR. CINELLI: Yeah, two things; one of the reasons why we recommended going back to the self-insurance fund is to get dividends. Okay. When we were in the standalone market, we didn't recognize these dividends. So my suggestion would be to get the check in a lump sum. Yitz, get the check in a lump sum and create a self-insured retention account and put that money in and that would pay for deductibles and out of cost insurance related. We can start building up a reserve in our self-insurance account.

MR. WEISS: We are already doing that.

MR. CINELLI: You just add to it. This helps us, as we get bigger and so forth like that, we want to retain more of the risk. We know what we have for claims that are incurred but not reported or claims that we take a higher deductible.

COMMISSIONER DeVITA: So the answer is we want the check.

CHAIRPERSON BAZIAN: So the answer is we want the check.

MS. YOUNG: So you would like to have the check?

CHAIRPERSON BAZIAN: Yeah. Just give us the check. Give us the money.

MS. YOUNG: Okay. So at the end of the meeting, I'll just have somebody in authority sign this, give it back to me. I'll take care of it for you. We'll get you the check.

MR. AMODIO: You actually did that. Last year we got a check.

MS. YOUNG: Okay. Not a problem.

So I'm just assuming that your next question may be what was your assessment last year?

CHAIRPERSON BAZIAN: Yes.

MS. YOUNG: So last year was 519,634. So it went up about 5,000. The assessment went up and it's basically based on the underwriting criteria that Luis and I have prepared for the application, you know, your exposures, your values. We increased a lot of the values on the dams, on the property schedule, on the addition of the vehicles. So that all drives cost up; payroll. So that's the justification for the 5,000.

CHAIRPERSON BAZIAN: Dominick, real quick.

MR. CINELLI: That's roughly less than one percent increase. Okay. Just realize when these budgets were adopted, Hurricaine Sandy did not hit. So at the JIF meeting, they did mention that they don't know -- the quotes they got in on property insurance are going to hold. They think it might hold. Or they might have to come back in February or March at the second quarter assessment and reassess all the members if there's an increase or take some of it that they set up in reserve.

And this is normal in the insurance market because of the reinsurance treaties, that they give you a quote and bound a catastrophe like this, they're going to come back and reassess the rates. They might spread it over two or three-year period with the JIF and that will make sense.

I think we're at one percent. It could go up a few dollars, but they're going to see the additional cost.

CHAIRPERSON BAZIAN: What were the dividends last year?

MS. YOUNG: I don't know what the dividends were last year.

MR. AMODIO: I think it was around 21,000.

MS. YOUNG: I know that the dividends overall for the JIF program for this year that they're rendering were a million, I think it was a million five. And that was for all the members. So those members will share in that dividend and your percentage is the 27,000. I'm not sure.

MR. KELLY: I think you're right, it was like 20,000.

MR. AMODIO: I would say like 21.

MR. STRUCK: It's going to fluctuate. It's based on whatever claim years they've imposed and how the performance was in that claim year.

MR. AMODIO: We, actually, last year was the first year we received it. It was a couple of years where we weren't eligible for it.

MR. CINELLI: You have to be in it for three years.

MR. AMODIO: Right. So last year was the first year that actually we were eligible for the dividend check.

MR. STRUCK: Unfortunately, it's not like Verizon, where you get the nice check every quarter, you know. But when it does come through, it's kind of like newfound money.

MR. CINELLI: You're a large member in the Joint Insurance Fund based on your premium in and coming out, you should get back more than some of the other smaller members.

MS. YOUNG: I don't have the dividend. I think it was about 21,000.

CHAIRPERSON BAZIAN: Let's us not belabor.

MS. YOUNG: Little Falls Treatment Plant.

We followed up on this. We are insuring a prefab building right now on the Little Falls

Treatment Plant for 125,000. So we added that to the property policy under the JIF versus putting it on the builder's risk form. Okay.

MR. STRUCK: There are some nuances to adding it that way. I believe the JIF came back and said they weren't going to give us a traditional builder's risk coverage for it.

MS. YOUNG: Right.

MR. STRUCK: So there are some perils that we're not insuring it for. I don't think they're high likelihood perils, things like quake. There is a gap in terms of flood coverage, but again, in terms of insuring it individually for flood, there would be a cost associated with that and 125,000, which I believe from my understanding of the construction of it, is pretty much walls and a roof. And as far as the attachments to it, I don't know if you're going to get much back for insuring.

CHAIRPERSON BAZIAN: This additional coverage is included in the $525,000 fee?

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: So even though the premiums went up, we're covering more?

MS. YOUNG: Yes. The exposures went up,

yes.

CHAIRPERSON BAZIAN: Right. So my point is, is that the 5,000 increase is not just an increase in rates, we're also covering more.

MS. YOUNG: Absolutely. Right.

MR. AMODIO: We raised the limits on a lot of the property and values and we also added vehicles and some payrolls which drove that cost in.

MS. YOUNG: Right.

MR. CINELLI: Just something to think about for fiscal year 2013 and we're seeing it a lot in South Jersey with the devastation. When was the last time you had an inventory and had a someone really take a look at your equipment and put a dollar amount on it; value?

CHAIRPERSON BAZIAN: That is actually something that our auditor mentioned several times.

Yitz.

MR. WEISS: That's actually, the auditor is questioning us to get it done. We need to get it done.

CHAIRPERSON BAZIAN: Do we have a plan for getting that done?

MR. WEISS: Nothing concrete yet.

MR. AMODIO: Is that part of the BPR, Yitz, do you know?

MR. WEISS: No.

CHAIRPERSON BAZIAN: No, that wouldn't be part of the BPR. Yitz, I'm sorry that Joe just walked out, but can you put that on your agenda and we're going to have to discuss that in finance committee.

MR. WEISS: Absolutely.

CHAIRPERSON BAZIAN: All right. And that's the project for getting it done in 2013. Before it was just, you know, do we have the bookkeeping numbers. Now, it has actually an insurance implication and that's important.

MR. CINELLI: We want to take a look and make a financial decision, do we increase it to its full value based on the perils and the risk involved.

CHAIRPERSON BAZIAN: Right. Our inventory is covered under that insurance?

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: So, Yitz, the next question is is our inventory up to date valuations and things like that?

MR. WEISS: We just had the auditors in yesterday. We're actually in the process of that. They do that on an annual base.

CHAIRPERSON BAZIAN: I know they do it on an annual basis and costing all that.

MR. WEISS: Yes, cost. Not replacement; cost.

CHAIRPERSON BAZIAN: Inventory is normally valued for the books at cost. But it's insured at replacement cost, I would imagine, no?

MS. YOUNG: Yes.

CHAIRPERSON BAZIAN: So how do you get the replacement cost figures?

MS. YOUNG: We would actually get them from you.

CHAIRPERSON BAZIAN: That's one of the issues. On our books, when we buy pipe, let's say, or when we buy meters, they buy gaps as we put it on the books at whatever we pay for them. Okay. Replacement costs, six months down the line if there's an increase in the cost of iron, steel, whatever, lead, whatever, then, you know, our costs have gone up, our replacement costs have gone up. I don't think we have that on our books.

MS. YOUNG: No, no. At the time of loss,

whatever costs for you to replace --

CHAIRPERSON BAZIAN: That's what we're insuring.

MS. YOUNG: That's what you would get reimbursed by the carrier.

MR. HANLEY: So we don't have to provide the carrier with that information? We simply provide the carrier with what it costs.

MR. CINELLI: George, at any given time you would show what your inventory is, I'll use a number, $2.6 million. All right, total. You had a loss. 2.6 million is the number you gave us in December. It's part of the policy period in 2013. A loss occurred in July. Okay. And the value of that 2.6 now is increased to 2.95. Okay. As a replacement. You would replace at 2.95.

MR. HANLEY: And the following year the --

MR. CINELLI: Of course, the insurance company is to make money. They have to be profitable.

MR. HANLEY: But we don't have to worry about providing an update?

MR. CINELLI: No, no. You just provide us at the time of renewal what your maximum exposure is going to be.

MR. HANLEY: That maximum exposure is based on purchase price.

MR. CINELLI: At that time. That's all you have. You don't have anything else. If you can predict that for us, we can play stocks.

MS. YOUNG: Two other items that I have is the New Street Dam. I received information in a letter that the four dams were actually excluded prior to --

MR. KELLY: Joe went to get the engineer.

MR. AMODIO: They always were. They were never included.

MS. YOUNG: Right. Because we didn't come on board till 2012. So prior to 2012, those four dams were excluded to the coverage. They added them back 1/1/2012 but still put the exclusion on the New Street Dam.

MR. AMODIO: Right. Because they hadn't finished the report on that.

MS. YOUNG: Right, correct.

I went out to the market to try to secure liability for the New Street Dam based on the $4 million sub-limit. I did follow-up with one of the underwriters and he said that he doesn't have many takers, but he's still trying. So I will give you an update on this issue in the next few weeks.

CHAIRPERSON BAZIAN: I'm sorry, I'm a little confused, Kathy.

Earlier you had said that dams were specifically excluded. Did you mean just New Street?

MS. YOUNG: No. Actually, we became the risk management consultant as of January 1, 2012.

CHAIRPERSON BAZIAN: Right.

MS. YOUNG: Prior to 2012, all four dams were excluded under the MEL/JIF program. Then they added the three other dams back as of January 1, 2012, but not the New Street Dam. So you have coverage for three dams, and they are excluding coverage for the New Street Dam because of the lateral --

MR. STRUCK: There's some repair that went through a lost control analysis of the dam itself. There was some repair issues. They addressed some cracking and things like that that need to be looked at.

MR. AMODIO: It was an earthquake, if I remember correctly.

MS. YOUNG: So, basically, we need to

offer the authority or the Commission, you know, a policy covering the New Street Dam. So you have options here to consider. So that's why I went out on a monoline basis to try to secure coverage for the New Street Dam.

MR. CINELLI: Where are we?

MR. DUPREY: Right here we have the design almost completed and then it will go out to bid.

MR. CINELLI: So we're a year away from completion?

MR. DUPREY: That's correct; $700,000.

MR. KELLY: So Dominick, this dam is not insured as of right now?

MR. CINELLI: Because they were --

MR. AMODIO: They were never covered prior, ever.

MR. CINELLI: In your policy period of '12, the three were added on, prior meetings we had, prior to that. But when they came and did the inspection, they would add that on.

MR. KELLY: We added the three and left that off?

MR. CINELLI: Right.

MR. STRUCK: If I recall, there was also work that they requested at the other locations that didn't directly exclude them.

MR. AMODIO: And that was based on the dam reports from French & Parello that were furnished to them. But they were never covered before, correct, Jim Duprey?

MR. DUPREY: That's correct, to my knowledge.

MS. YOUNG: Now, when we look at this, it's a reinsurer that is saying we're not covering the New Street Dam. But you have limited coverage under the MEL/JIF program because you have 750 on that limit on the JIF program, 250 retention from Passaic Valley Water Commission, then you have 750 on the JIF layer. So you have 750,000 of liability coverage there. You don't have the excess of over the million to the three, up to the --

MR. STRUCK: Three over the --

MR. HANLEY: One to three we're exposed, is that what you're saying?

MS. YOUNG: One, you have --

MR. HANLEY: One to three. Over one, less than three, that's our exposure?

MS. YOUNG: Yes.

MR. STRUCK: Well, over and above that as well.

MS. YOUNG: Right, over one.

MR. HANLEY: You mean over three?

MS. YOUNG: No.

MR. CINELLI: George, you're self-insured.

MR. HANLEY: I want to know what that means.

MR. CINELLI: One to four, you got an exposure from a million to two, two to three, three to four. There's your exposure. Okay. And then you have no coverage over $4 million.

MR. HANLEY: Okay. One million to 2 million are covered?

MS. YOUNG: On the three dams. But I'm talking about New Street.

MR. CINELLI: New Street you got coverage for 250 self-insured retention and the 750 --

MS. YOUNG: And 750, that's it. It's a million dollars coverage.

MR. KELLY: Dominick, it's a million.

MR. CINELLI: It's a million, that's it.

MR. HANLEY: Wait a minute. Forget New Street. We're not covered period, basically.

MS. YOUNG: Well, we are.

MR. AMODIO: Up to a million.

MR. HANLEY: What about the other one?

MR. CINELLI: You have a 250 self-insured retention and you have coverage for 3,750,000 above that.

MR. HANLEY: So from one to three, we're covered.

MR. CINELLI: On the other three --

MR. HANLEY: That's what I'm talking about.

MR. CINELLI: You got $4 million worth of coverage for with a 250 self-insured retention on those dams.

CHAIRPERSON BAZIAN: In other words --

MR. HANLEY: It's from 250 to four.

MR. CINELLI: 250 to four on the three dams. On the three dams.

MR. HANLEY: Thank you. Thank you.

MR. CINELLI: On the other dam --

MR. HANLEY: Forget the other dam. I understand. I didn't ask that question.

So from 250 to 4 million, the other three dams were covered?

MR. CINELLI: Yes.

MR. HANLEY: Thank you.

MS. YOUNG: So when I talk about the

exclusions, you have coverage, but you don't really have the full limits because you still have the JIF layer. It's the reinsurer that's saying, ut un, we're not going to cover this exposure.

CHAIRPERSON BAZIAN: I get that.

MS. YOUNG: Okay.

MR. CINELLI: In our business we always like to transfer the liability to the third party.

MR. HANLEY: So do we.

MR. CINELLI: When you do the design phase, construction phase, when they're doing a construction phase on that dam, okay, are they protecting us from any liability as they're doing the work?

MR. DUPREY: If they cause a problem, yes. If it's a problem not of their making, no.

CHAIRPERSON BAZIAN: All right.

MS. YOUNG: All right. I know we're done with the New Street issue.

There is one other thing, one other item for discussion and I don't know if I should bring this up now, but this is the choice with respect to the POL/EPL.

MR. STRUCK: That's number four as far as the underwriting, but you can go ahead.

MS. YOUNG: Let's move to claims and then I'll come back to underwriting.

MR. AMODIO: Okay.

MS. KISSANE: You're supplied on a monthly basis and quarterly basis different reports from Scibal. And in the different reports they have a claim summary that will provide you with a snapshot of each year to show what your claims are, what your breakdown is between liability, property, and the workers' compensation claims.

As typical of most entities, workers' comp is what you see more of the dollars in, depending on different years you'll have exposures on your liability claims.

Tracey is our workers' comp supervisor. She'll focus, because most of the reports that are here, here on workers' compensation type claims.

We have repeater reports which are good type of things that you can look at to see who your frequent fliers are, your workers' comp programs.

There's another report, disability report, that will show how many days out of work a particular employee may be.

They're all indicators you can use to help determine where your costs are falling with your workers' comp coverage.

One of the things in the reports that were sent to Kathy Young from our office, the repeater report was this thick. And we realized there was absolutely no reason it should be this thick. We found out there was a glitch when one of the programmers put in a social security number. It's run by social security numbers and they inadvertently put in all nine, which captures in our system the liability settlements where an attorney is not involved. And because it captured the 2010 year, you'll recall the nor 'easter that struck in March, 2010 where you had like a couple of hundred residents filing claims for flood damages. They all showed up. That's what this is. So it ends up bringing it down to just a few pages of what your repeater reports are. So we fixed that glitch. So that report will be paired down significantly. So in the event when you're looking at these, I didn't want anyone to have a panic attack saying your comp claims are so --

MR. KELLY: Beatties Dam, a couple hundred people.

MS. KISSANE: Yes. That's pretty much

from the nor 'easter in March, 2010 that was driving.

MR. KELLY: To us it's the Beatties Dam.

MR. HANLEY: Those are claims --

MS. KISSANE: No, they did not file any claims. The statute of limitations expired in March, 2012. No lawsuits were filed. That's done with. Yes. Now, we have Sandy, but we'll deal with one issue at a time.

In these reports, too, there's some information that we'll review with the risk managers and we'll talk to you folks to see what other type of information you have.

Some of these reports you're getting in PDF format. They can also be sent in Excel format so that will manipulate the data in any way you need to do it at the local level, to subrogate out closed claims, to look at the open. You know, gives more details of those types of things.

Tracey is going to go into detail on some the things that we're seeing in your workers' comp program.

MR. CINELLI: You're not getting any reports?

MR. GALLAGHER: I'm not getting any

reports.

MR. AMODIO: I don't get them either.

MR. KELLY: I don't get them either.

MS. KISSANE: If you can supply to me exactly who you want to receive the reports and we'll take that information back to our IT.

MR. HANLEY: Who should we tell that to?

MS. KISSANE: You could tell that to me. Any of us.

CHAIRPERSON BAZIAN: Whatever reports need to go out to the Commissioners, send to Louis. Louis will get them to us.

MS. YOUNG: We'll put Louis. He'll receive the reports.

CHAIRPERSON BAZIAN: Who are they being sent to now?

MS. YOUNG: I don't know. I mean, I order them on a requested basis. So I'm not sure.

MS. KISSANE: Yitz is receiving the reports?

MS. YOUNG: Oh, okay. Yitz.

MR. AMODIO: Oh.

CHAIRPERSON BAZIAN: Yitz, you don't believe in sharing?

COMMISSIONER DeVITA: Who else should get the reports? Should Gallagher?

MR. CINELLI: Definitely Jim, yes.

MR. KELLY: All workers' comp.

MR. GALLAGHER: I initiate the claim.

CHAIRPERSON BAZIAN: One at a time. One at a time, please.

Jim.

MR. GALLAGHER: I initiate the claim, so I do know about the claim. I don't see them in a final report, though.

CHAIRPERSON BAZIAN: Yitz.

MR. WEISS: I can forward them to whoever needs them. I've been forwarding them to Dominick and Matt.

MS. KISSANE: We can also save you that step. If you just let us know who is getting them, their e-mail addresses, we can have that programmed into our system so that when you get it, it's distributed to the other players in authority of the Commission that should be receiving them.

MS. YOUNG: But I do have a question. What type of report are you getting? Are you getting a summary or are you getting an entire lost report?

MR. WEISS: I don't recall.

MS. YOUNG: Okay. So we're going to have to find that out. What I'd like to do is streamline the process so you don't have all this paper. That you can look at it and get a quick snapshot of what's going on internally.

MR. STRUCK: Yitz has been getting them in raw dump. So maybe we can develop --

MS. YOUNG: I'd like to try to accomplish that at today's meeting. So my suggestion is that we do participate, if you -- because what I'm thinking is do a Loss Year Summary and the claim detail report. So they'll see that every month.

MS. LOREAUX: Yeah. I think they're going to need to decide what it is they want to look at.

MS. KISSANE: That's something we can talk to help develop exactly what protocols you're looking to streamline the process to make sure you're getting exactly what it is that you need, that you can use to pair it down from a voluminous report to something that's a summary as best as possible.

Tracey, if you want to talk about the specific reports. These are the ones we really think you can focus on that would be very helpful.

MS. LOREAUX: So the claims experience summary starting in 2007 going through 2012, we're looking at, you know, six years of data. Of course, 2012 is not fully developed yet.

But what we're seeing is that the claim volume in terms of workers' comp has been what I would consider to be very stable. We're looking at an average of 26.5 claims per year. Days out of work sort of jump off the page a little bit, where we have in 2011 an average of 93 days out of work per claim.

CHAIRPERSON BAZIAN: Did you say 93 days out of work per claim?

MS. LOREAUX: Yes, average.

MR. HANLEY: Excuse me, that means of all the employees that have claimed --

MS. LOREAUX: That have filed workers' compensation.

COMMISSIONER DeVITA: Average.

MR. STRUCK: Do we have any catastrophic claims?

MS. LOREAUX: Yeah, there's a handful. There's a handful. Sure.

MR. GALLAGHER: We had a few large claims. I wouldn't agree with the accuracy of that, the accuracy of the report, but our claims experience has generally been getting lower. Over the last 12 years it's actually lower. It's probably one of the lowest it has been.

We have an older work force and we have a work force that does a lot of manual work. So we have days off. In comparison to other utilities, we're probably in the norm.

And the other problem we do have --

CHAIRPERSON BAZIAN: I'm cutting you off here.

MR. GALLAGHER: I notice that.

CHAIRPERSON BAZIAN: Does that sound right about this being pretty much the norm in our industry? Because you see much wider subsection or --

MS. LOREAUX: I would honestly say that that would be considered high from what I would normally see.

COMMISSIONER DeVITA: Us?

MS. LOREAUX: Ninety-three days, yes.

MS. KISSANE: However, take out the catastrophic ones and then look at your other average it may bring it down more in the line with other numbers.

COMMISSIONER DeVITA: To two years.

MS. LOREAUX: The one --

MR. GALLAGHER: We have one claim in there that's going to be -- I think he was out, I want to say it was over 200 days.

MS. LOREAUX: Yeah, I think it was closer to 300.

However, the good news is so far in 2012 our average is 39 days out of work. All right. So things are getting a little better.

CHAIRPERSON BAZIAN: And 2010?

MS. LOREAUX: I didn't look at 2010. We have five years of data here, but I was trying to give you the most current, you know, progress in the last two years.

CHAIRPERSON BAZIAN: Progress is good, but two years of -- just speaking of -- doesn't necessarily tell it for me --

MS. LOREAUX: I can give you all and give you averages.

CHAIRPERSON BAZIAN: If you could, at your convenience. I would appreciate it.

MS. LOREAUX: No problem.

CHAIRPERSON BAZIAN: If you have from 2007 to 2012, I'd like to see just a list, maybe a graph. See how we're doing, trending up, down, all over the place.

MS. LOREAUX: Absolutely.

One of the things I'd like to hit on with regard to data is -- one of the things that I was going to talk about, just briefly, is light duty, modified duty, whatever you want to call it is being used.

It doesn't appear as though there's a comprehensive program as far as that's concerned. It seems a little hit or miss. It is being utilized, though. That always helps to reduce the days of work and there's a benefit in a lot of different ways where you have, you know, maybe some savings in overtime.

The research shows that the quicker you get somebody back to work, the better. The longer you stay out, the less motivated they are to come back.

COMMISSIONER DeVITA: You mean to accommodate somebody?

MS. LOREAUX: Absolutely. In a less physical job on a temporary basis.

MS. KISSANE: What's helpful with that in the comp court when the value of the claim is based on permanency or the extent, oftentimes comp judges, they see an employee has been out of work 75 days versus 30 days, the judge oftentimes will give a higher percentage of the rating of the workers' comp injury percentage, which will increase the cost of exposure.

And as you mentioned, with an aging work force what can happen is if you have an employee that has an injury, it gets tagged right now 25 percent. If maybe if they hadn't been out as long, might have been able to get them down to 20 percent. That next claim they may get 33 and a third, which will put them over the hump in terms of workers' comp with the chart and that drives the cost upward. It's just beneficial. It's something to think about with utilizing and employing modified duty. If it's something that will work in the environment that you have here.

You have a lot of physical type jobs. It may or may not be something that works for you folks, but it's certainly something to consider. We've seen the benefits of it with cutting costs and getting people back to work. It definitely will help save you money. And as claims cost continue to escalate, medical cost going up, if you can hit something that will reduce it, it's even better.

The temporary total disability rate for 2012 is $810 a week. So if you have an employee that you could have returned to work four weeks earlier, that's $3,200 right there. That's per claim. That's not just total. That's per claim. So if you have ten employees in one year that you're able to bring back on average four weeks earlier, now you're talking $32,000.

If the permanency ratings get involved and the judges are putting lessor permanency ratings on, then you can see a cost increase there as well.

COMMISSIONER DeVITA: You have to assume they're not.

MS. KISSANE: Right. In any type of environment, we always look at it, you're going to have ten percent they're going to try to beat, you know, the opportunity. You're going to have ten percent trying to get back to work at all costs, even it means they come in with a broken hand, figure, well, I have the other hand, I could do something. And then you got the folks in the middle, try to watch to see how the environment is and who's getting away with what and how they're doing things.

CHAIRPERSON BAZIAN: Question. Who maintains the records? And I assume it's Jim, but I'm just going to ask in general, of the employees that are out, how long they've been out. If I wanted to see on a monthly basis a report, these are the people out, this is how long they've been out, and the nature of the injury, et cetera, would that come from Jim or would that come from somebody else around this table?

MR. GALLAGHER: My office.

MS. LOREAUX: We can create that.

CHAIRPERSON BAZIAN: You can create that. Whoever is going to create that, Tom, do you think it might be helpful to see on a monthly basis so we can keep an eye on it?

COMMISSIONER DeVITA: Sure.

CHAIRPERSON BAZIAN: If you guys can do it and pass to the Personnel Department, that would be good. In fact, it might be interesting to you as well to make sure their records agree with yours.

MR. GALLAGHER: Inevitably, we have put it on the 300 mark. If there's employees out for an injury and it's eligible for the log, most likely will be.

CHAIRPERSON BAZIAN: Understood.

Next.

Sorry, George.

MR. HANLEY: Quick question. I think I heard you saying that you recommend -- you're saying this is a good thing to accommodate. But maybe we don't have as well-organized program to do that as perhaps we should.

MS. KISSANE: We don't see it being utilized frequently.

CHAIRPERSON BAZIAN: But you can't say whether that's appropriate or not. Don't take that the wrong way.

MS. KISSANE: No, no. We don't see it utilized.

CHAIRPERSON BAZIAN: Based on the numbers.

MS. KISSANE: We're basing it on -- a lot of it, too, keys on how current your job descriptions are and how detailed the job descriptions. Because if job descriptions are overly broad but don't put a lot, you know, have to lift over 50 pounds, different things like that. Have to be able to stand for so many hours a day. Have to be able to kneel. Things like that. If your job descriptions are strong, that's something they can go to the doctor and they can give what they can return to work doing. They may have certain restrictions.

You may have a laborer that has to be able to lift over, you know, 50 pounds consistently, but the restriction may be they can't lift more than 25 pounds right now and then it comes to you. So, technically, they can't return to work because your job description says they have to be able to lift 50 pounds. If you have a job that you can have that employee do, where they only have to lift 25 pounds for the two or three weeks additional while they undergo physical therapy and get stronger to be able to get clear to return to work at that 50 pound lifting restriction, that will get removed, where they're not able to do it, you can get them back to work three weeks earlier.

MR. HANLEY: The question is, do you have training programs or systems that you could offer us that would make us better?

MR. CINELLI: Can I answer that, George?

CHAIRPERSON BAZIAN: Dominick.

MR. CINELLI: We discussed this for a long time. What we need to do, based on your corporate structure here, is have the supervisors really dig in and decide what modified duty, to use your terminology, what modified duty is available within their unit and so forth.

Okay.

So if you have somebody at the reservoir, their job description is X, Y, Z but they have limitations with their right shoulder for the next six-week period --

MR. HANLEY: Right. I got it. Is there something you can offer us to get us and help us dig in with those supervisors.

MR. CINELLI: Here's what I think we should do. We can have a meeting with the supervisors, but you have to educate us on your work --

MR. HANLEY: Where do we start?

MR. CINELLI: You start with your supervisors telling us, these are their normal jobs.

MR. HANLEY: You said that. How do we go about --

CHAIRPERSON BAZIAN: Before you ask how do we go about, why don't we ask Jim to see what we are doing.

MR. GALLAGHER: We do that. We do that in every case. The biggest problem we have, particularly, when we get the doctor's report, there's no limitations. Based on the limitations, I'll say 95 percent of the time, and this has been an argument ongoing, I've had great reservations. We have a number of times when the amount of limitations provide us no alternative but to keep the employee out because of the lifting, carrying, whatever the restriction is makes it virtually impossible for the employee to do anything constructive here.

What we used to have is the guardhouse. That was always our end all be all. That got eliminated. Because the guardhouse was rotating shifts. We tend to put the employees that didn't want to do that, it was a relatively easy job.

But everything else has to be, you know, they have to be able to carry. They have to be able to walk to and from a job site and do all those other things. The doctor's reports in the last few years, very limited, very limited.

MR. KELLY: You're saying restrictions from a doctor, right, Jim?

CHAIRPERSON BAZIAN: I have a suggestion. I have a suggestion without spending the next 45 minutes going back and forth on this.

Is it possible, maybe an outside look will help. Maybe Dominick or whomever, sit down with Jim, review the actual cases that we have going, discuss, hey, theoretically, this guy could, I don't know, stand upstairs and watch the guys as they're doing the work. Make sure nobody trips over a broom. I don't know.

MR. CINELLI: I'm going to make a recommendation that we'll take a look at about six months losses and we'll have J. A. Montgomery, the loss control specialist for the JIF, take a look at that and see if there were any opportunity for any of these people to come back on a modified duty.

Realize Jim brought up a key word, constructive. You know, we can have them come here and sit here and shuffle papers. We can have them come and just answer, you know, let people in the door. Okay. So that's the issue.

CHAIRPERSON BAZIAN: Look, let's be clear what the goal is here. All right. And Jim, I want you to be very clear. This is not an opportunity for anybody, at least for me, to say, you see, Jim, if you had been doing your job better then... That's not the point. That's not the point here.

MR. GALLAGHER: If I can do my job better, I'm all for it.

CHAIRPERSON BAZIAN: That's not the point here. The point is that sometimes getting an outside view coming in, this is the consultant in me speaking, can open up ideas thinking outside the box or whatever that might save us some money.

COMMISSIONER DeVITA: Good idea. Let's do it.

CHAIRPERSON BAZIAN: Let's do it.

MR. CINELLI: I'll coordinate with Jim.

Jim, it's J. A. Montgomery, who's the lost control specialist. Jim, based on title, lost time accidents over six-month period. We'll take a look at those particular accidents and see if there was any jobs available and we'll go back.

CHAIRPERSON BAZIAN: Good. And make sure -- two things, make sure A, that you work through Jim. And B, I'd like a report to come back to this committee. Because anything that happens in this committee that we request you to do, I want you to report back to us. Okay. That doesn't mean not to report back to Jim, but keep us in the loop.

Next.

MS. LOREAUX: Item 2(d), the Repeater Report. Basically, what this is, it's a report showing workers' comp or employees, I should say, who have filed multiple workers' comp claims over the years. Okay.

Now, what this does for us is, it gives us a picture of, you know, whether there's a trend here of, you know, you might have an employee where you see for the last three years in October they went out on more comp injuries. That's a red flag to us. It's something we want to investigate. Perhaps consider some surveillance on to see what that individual might be up to.

Another thing that is important about it is when you have repeat injuries to the same parts of body, we want to make sure that these people are returning to work safely and we get what is called a functional capacity evaluation which is conducted by a physical therapist to put them through a number of different range of motion testing and so forth to make sure they can do the job safely. If they can't, they're going to give them permanent restrictions and then you're going to decide if you can keep them on as an employee with those descriptions.

And that is really, you know, the main benefit of that report. It gives us a, you know, a look at their history.

COMMISSIONER DeVITA: Do we have a lot of repeaters?

CHAIRPERSON BAZIAN: The results of that repeat are? The survey says?

MS. YOUNG: There really wasn't a lot.

MS. LOREAUX: You see maybe multiples of three or four at the most.

MS. KISSANE: For instance, I spot checked one particular employee because he had just in the last five years there was a loss in 2007, '08, '09 and '11 and 12; so almost one a year.

I'm not going into any detail, but in general, what you see with these types of things with claims, you look to see what they're doing. Some of them seem minor, like bee stings. We see them a lot in the spring or the fall. Those type of things.

If they injure the same body part, what

were they doing? Were they doing the same job twice. If they had an ankle injury, were they getting out of the vehicle? Were they climbing stairs? Because if they have the same type of repetitive injury, it could be the type of thing they do over and over again.

But with what we've seen so far, we haven't seen anything that jumps. So because of the physical nature of the jobs that a lot of your employees are doing, it stands to reason that you're going to have some minor bumps and bruises, banging an elbow, maybe having an E.R. visit, that type of thing.

When you have a lost time claim where you have a significant knee injury, then the adjustors are checking for any priors to see if there's any type of history related to that body part. And if we see anything, certainly, we'll flag that for you, as the employer, of things you might be able to do or not do.

COMMISSIONER DeVITA: But you haven't seen that yet?

MS. KISSANE: I haven't seen that yet, no. Because like Tracey said, you know, we have some accounts we see every November there's a shoulder injury. Well, November is hunting season. So we start to question what are they doing on their personal time. It may be a key to set up surveillance for a particular individual. These are little things that we look outside the box to see. It's just to confirm that the injury is related to the work injury.

CHAIRPERSON BAZIAN: So the bottom line is, you got the report, nothing stands out?

MS. KISSANE: Correct.

CHAIRPERSON BAZIAN: Jim, did you see that report?

MR. GALLAGHER: No.

MS. KISSANE: We're going to check, we mentioned. We're going to verify exactly what reports Yitz is receiving, review them to see the types of report tailored better, what you need on the local level and then we can start making sure you get the key reports that will hone in on all this data. And we'll double check with Jim to make sure we're all on the same page.

MR. KELLY: You asked --

CHAIRPERSON BAZIAN: One second.

MR. GALLAGHER: Just so you know, we tend -- we're more in tune with the employees. If we see an employee -- we have an employee currently who we suspect may be --

CHAIRPERSON BAZIAN: Whatever.

MR. GALLAGHER: Enhancing his current injury. As a matter of fact, I just spoke to Joe about it other day about doing surveillance on him.

MS. LOREAUX: Right. That's something we want to know about for sure. Definitely. Let us know if you have suspicions.

CHAIRPERSON BAZIAN: Which is good. So between now and tomorrow, do what you can, determine which reports you are currently running, who they should go to. Joking about, you know, tomorrow; but...

MS. KISSANE: We want to find out as early as possible.

CHAIRPERSON BAZIAN: The information may be great, but it's only worth it if it goes to the right people.

MS. KISSANE: User friendly for the purposes you're looking for.

MS. YOUNG: Right. Okay.

CHAIRPERSON BAZIAN: Moving right along.

MR. KELLY: Tracey, you had asked me the

question the dollar amount was high. I told you you had to bring it to the Court. You can discuss with the Commissioners...

MS. LOREAUX: I didn't bring that with me to talk about it.

CHAIRPERSON BAZIAN: This meeting is for everything related to insurance. If you feel there was a claim that was out of line -- see, most of the time what happens is we have a meeting, an attorney comes before us and says, well, this is what happened and I can settle it for this. Seems like a good idea. That's one view of it.

Now, it would be kind of cool and you're raising up an issue that Tom, maybe you can help me. When a lawyer comes to us and says, well, this person, they want 72 percent but I want 18.973 percent and it's going to cost us $72,000, whatever. So we're looking at it and say, well, okay, it could be a million dollars versus $72,000; sounds good, let's go. But it would be nice if there was something like this, come back to us and say, what are you talking about 72,000, we've seen this 25 times for $39.72.

MR. HANLEY: You're talking about workers' comp now?

CHAIRPERSON BAZIAN: Workers' comp.

MR. HANLEY: Well, you are always in consultation with our workers' comp lawyer.

MS. LOREAUX: He provides us with updates.

MR. HANLEY: If you have something like that, if it's worth bringing to the Commission, let us know.

MS. LOREAUX: That's fine. It's my understanding the way things have worked in the past was that the attorney representing the Commission would assign a value to it. He would come, make the presentation and a decision was made and, you know, that's how it goes.

MR. HANLEY: Right. But my understanding was that he was always in consultation with you.

MS. LOREAUX: Providing us updates.

CHAIRPERSON BAZIAN: No, it's more than that. It's more than that.

George, correct me if I'm wrong, but it seems to be just from a process standpoint that you should be consulted on the dollar amount as a potential settlement so you can come back and say this makes sense or not. If that is not happening, just because that's the way it was done before doesn't mean a change can't be made.

George, is it reasonable to suggest that before an attorney comes to us, that it's passed by our insurance consultant?

MR. HANLEY: We're only talking about workers' comp.

COMMISSIONER BAZIAN: That's all we're talking about is workers' comp.

MR. HANLEY: Yes, that would be very helpful. So if you want me to, I'll send him a letter and we'll talk about it.

MS. LOREAUX: Sure.

MR. HANLEY: And we'll say, I don't know if we want to have a certain dollar amount or what the criteria. We don't want you to have to come on every one.

MS. LOREAUX: We don't even need necessarily to be present physically, but we could have a joint agreement that this is what the case is worth or you know.

MR. HANLEY: We need to work out the mechanics.

MS. LOREAUX: Yeah, sure.

CHAIRPERSON BAZIAN: I like that. I like that. That's very good. That may be the most viable thing that came out of this meeting so far.

MS. YOUNG: You want your dividend check? I thought that was a good one.

CHAIRPERSON BAZIAN: The dividend check that is coming to the Commission, the $27,000 that will help us in handling our self-insurance is always welcome. However, what we have just come up with may save us a lot more than $27,000.

MS. YOUNG: You're absolutely right.

CHAIRPERSON BAZIAN: So far the most valuable thing that's come up.

First Report of Injury.

MS. LOREAUX: The report --

MS. YOUNG: Yes, I do have them and that's something else I wanted to discuss.

Are these helpful to you at these meetings, the First Report of Injuries? I know that in the past --

CHAIRPERSON BAZIAN: I don't know.

MS. YOUNG: I can distribute them. They do have names on them, though. So is that going to be an issue?

COMMISSIONER DeVITA: What is it?

MS. YOUNG: When somebody files a workers' comp claim.

COMMISSIONER DeVITA: It's the initial claim?

MS. YOUNG: It's the initial claim, yes. It gives a description of the accident, when it happened. You know, what body part may have been affected.

CHAIRPERSON BAZIAN: Hold off.

MS. YOUNG: It does have names on it.

MS. KISSANE: Also date of birth and social security. They cannot be released in open session.

CHAIRPERSON BAZIAN: No, no. At the very least, if that information is considered to be useful, I'd want the data washed, please.

MS. YOUNG: Right.

COMMISSIONER DeVITA: Question. What would we use that for? What am I goes to use it for?

CHAIRPERSON BAZIAN: Just to get an idea of what is coming down the road. That's all.

MR. CINELLI: At these meetings, we usually talk about first report of injury, what kind of accidents, so forth. So from three months ago, ten individuals come out, three and so forth like that. This individual is still out for three weeks. So forth. That's the question.

COMMISSIONER DeVITA: I don't know if we should be seeing all these reports.

MS. YOUNG: I think that these, you know, the Commissioner had asked to create that report.

Tracey?

MS. LOREAUX: To create what report?

MS. YOUNG: To create the report with the number of lost time days.

MS. LOREAUX: Lost time analysis.

MS. YOUNG: Do maybe an ad hoc report which may incorporate what we're seeing or a new claims report. Why can't we do a new claims report received?

MS. KISSANE: That will have a brief description. What we'll do is, we'll run a couple of those stamped reports, provide them to you so you can see what those reports will show and then you can see if it's something useful to them.

MS. YOUNG: That's what I'm trying to determine, what is useful? What are they interested in?

MR. HANLEY: If I can speak on behalf of "them" and they can correct me. You want to see trends and magnitudes. You know what I mean. If it's a routine claim, maybe not. But also totals.

MS. YOUNG: Right.

COMMISSIONER DeVITA: Accumulative totals; how many.

MS. YOUNG: Right. We have them on the Loss Year Summary by line coverage and we break it down, date and incurred; so.

CHAIRPERSON BAZIAN: We are beyond 60 minutes and only halfway through. Let's continue on. We got to finish the business; but.

MS. LOREAUX: Quickly, on that item 2, that First Report of Injury.

I did want to mention something that Kathy and I spoke about which was consistent completion of supervisor reports and how important that is for the evaluation of the claims. And also for your safety consultants to be looking at the supervisor reports.

CHAIRPERSON BAZIAN: Is that not happening?

MS. LOREAUX: I did a sampling of just some of the recent claims that came in and out of seven of them, there were two supervisor reports. So that would be...

MR. GALLAGHER: Supervisor reports are

always completed. We don't send the package down.

CHAIRPERSON BAZIAN: So you're saying we have the supervisor reports, they just didn't get to them?

MR. GALLAGHER: Karen faxes them every day. As soon as they're done. I don't know where they're going. I'll find out where.

MS. LOREAUX: We usually just get the new reports in.

MR. GALLAGHER: I only know they're there only because when I get the e-mails back or the faxes back, they're attached to them again.

COMMISSIONER DeVITA: Maybe we can follow-up to make sure.

MR. GALLAGHER: I'll find out.

MS. LOREAUX: That's great.

MR. GALLAGHER: I'll find out from Karen.

MS. LOREAUX: They contain a lot of useful information.

MR. AMODIO: He'll scan them and e-mail to you.

MS. LOREAUX: Perfect.

CHAIRPERSON BAZIAN: Do me a favor, at our next meeting, I'd like you to report back to us on how that issue is going.

MS. LOREAUX: Absolutely.

MR. AMODIO: Safety Bulletin Information.

CHAIRPERSON BAZIAN: Post "Sandy" Safety.

MR. CINELLI: I have some handouts. These could be e-mailed to everyone. This is just things coming up for safety bulletins coming up.

The first one is what the Joint Insurance put out for post Sandy preparation and so forth; what to do.

MR. KELLY: This is the stuff you sent us, right?

MR. CINELLI: Yes. This is the stuff we send you. They already have it. So the question would be, are these being used at other types of safety meetings at the different plants and stuff like that?

MR. KELLY: Yes. Yes. This is done by Andy Bisesi.

MR. CINELLI: This is basically to assist other administrators and so forth and supervisors. Some are applicable, some are not. But we try to keep them applicable to what's going on.

MR. AMODIO: These should go out to the supervisors.

MR. CINELLI: Yes, supervisors. That

should be together --

MR. AMODIO: We'll post them on the boards.

MR. CINELLI: And at the managers meeting and so forth.

CHAIRPERSON BAZIAN: That took care of Post "Sandy" Safety.

Preparing For Winter Storms.

MR. CINELLI: We only have one left on the second page.

CHAIRPERSON BAZIAN: Which is?

MR. CINELLI: Public Officials Liability/EPL.

Ms. YOUNG: Okay. You can hand that out.

MR. CINELLI: What the JIF has done is, they are giving you an option to reduce your Public Officials Liability and Employment Practices Liability deductible.

MS. YOUNG: And co-insurance.

MR. CINELLI: So you can buy down.

CHAIRPERSON BAZIAN: What does this cover?

MS. YOUNG: The public official co-employee liability policy is any claims made against an official would be covered under this policy. Or if there was employment practices liability.

MR. STRUCK: Think of it like directors or officers liability for coverage for a company.

MR. HANLEY: The best example is when we had the unfortunate drowning and various categories of people, Commissioners, former Commissioners --

COMMISSIONER DeVITA: Everybody was sued.

MR. HANLEY: Top management were all sued. The POL covered most, if not all of that.

MR. STRUCK: And the EPL is your standard hiring, firing, retaliation.

CHAIRPERSON BAZIAN: And where are we at right now?

MS. YOUNG: Basically, what you have is the POL/EPL line of coverage used to be included under the JIF program and then in 2011 they got out of that type business and they had a conventional market, write it on an individual basis rather than on a JIF basis.

So for the 2013 contract year, you're on a standalone basis and they're given options with respect to the deductible and the co-insurance.

Right now your current deductible is 20,000 per claim with a 250 co-insurance. And basically, what that means it's 20 percent of 250. So in the event you have a claim, you're going to be responsible for the first 20 percent of 250, which is 50.

CHAIRPERSON BAZIAN: Define "you." Is that the Commissioners or the Commission.

MS. YOUNG: The Commission, the authority.

MR. CINELLI: Not you individually.

CHAIRPERSON BAZIAN: I just wanted to know.

MS. YOUNG: No, I'm sorry. I'm sorry.

But there could be just one claim against you, do you see what I'm saying? So that still would apply 50 and 20.

MR. AMODIO: Kathy, each Commissioner posts a $10,000 bond also that would be purchased from the insurance.

COMMISSIONER DeVITA: I don't think that's --

MR. AMODIO: I'm just saying, does that play --

MR. STRUCK: That's more fidelity.

MR. AMODIO: Okay.

MS. YOUNG: That's more of a crime policy and I'm not sure why they would --

MR. AMODIO: That's in our --

MS. YOUNG: But you have coverage under the crime policy under the JIF program. So we need to talk about that because I might be able to save you money on that.

CHAIRPERSON BAZIAN: I like the way you think; saving money.

COMMISSIONER DeVITA: What does debit or credit mean?

MS. YOUNG: Okay. The debit or credit means if you were going to reduce the limits, you would get a credit. I mean, the debit, there is no credit here. Basically, your current program is the last line item. So you have a $20,000 deductible and 250-- 20 percent of the 250 co-insurance. So for any claim that is presented against the Commission and/or authority, you being responsible for the first $70,000 out of pocket.

COMMISSIONER DeVITA: Seventy.

MS. YOUNG: Seventy thousand. That is basically your deductible.

CHAIRPERSON BAZIAN: And then we're covered up to 250.

MS. YOUNG: No, you're covered up to --

MR. STRUCK: They way it works is, if the claim's $270,000, the Commission would be charged 70, first 20 and co-insurance on the 250 and the remaining 200,000 would be covered through the private insured.

CHAIRPERSON BAZIAN: So anything over 250 is covered at a hundred percent?

MS. YOUNG: No, over 70.

CHAIRPERSON BAZIAN: Hold it. Here's the way I read this.

Current co-insurance is 20 percent of the first 250. So if we have a $250,000 co-insurance, so then we're out of pocket at 270, let's say, because our deductible is 20,000; a claim of 250. So we get paid 80 percent of the claim, which is $200,000. And then anything over that we get paid at a hundred percent. Or are you saying it's the first $50,000?

MR. STRUCK: You get hit up with the deductible first which is 20.

CHAIRPERSON BAZIAN: I'm talking about the 20 percent is 20 percent of the claim. So if you make a hundred dollar claim, forget about the $20,000 deductible. If claim is $100,000, we get paid 80.

MR. STRUCK: You pay the first 20 and then of the 80, you pay 20 percent up to.

CHAIRPERSON BAZIAN: You're not hearing me.

$100,000 of claims, it's $120,000. $20,000 we've eaten. Claim of $100,000, okay, then we get covered $80,000.

MR. STRUCK: Correct.

CHAIRPERSON BAZIAN: Okay. Good.

So my point is the first $250,000 of claim, translated as $270,000 of loss. Okay. We lose $20,000 to deductible; 80 percent coverage of the first $250,000 of claim. After that, it's at 100 percent.

MR. STRUCK: Correct.

CHAIRPERSON BAZIAN: Thank you. I just wanted to make sure I got those numbers.

COMMISSIONER DeVITA: Most of these claims are more legal fees.

MS. YOUNG: Mostly defense.

COMMISSIONER DeVITA: Plaintiffs' attorneys are entitled to fees. Forget defense.

MR. HANLEY: But also it does cover --

COMMISSIONER DeVITA: It's huge.

MR. HANLEY: Actually, usually, in the big cases, the legal fees eat up the deduction.

COMMISSIONER DeVITA: For us, you mean.

MR. HANLEY: Right.

MS. YOUNG: Correct.

COMMISSIONER DeVITA: I'm talking about we could also be responsible for plaintiffs and that's a big part of what we pay.

MR. CINELLI: No settlement.

CHAIRPERSON BAZIAN: Question. How much have we paid out under this policy? I don't think we paid out a dime over the last three years. Unless Tom has done something that I didn't know about.

MR. HANLEY: The big one was the drowning. That was before your time.

MR. STRUCK: I don't think we have any large losses.

MR. CINELLI: Your claim history has been clean.

CHAIRPERSON BAZIAN: Are these the best rates we can get given we have a clean claim --

MS. YOUNG: Yes.

MR. CINELLI: Looking at this and calculating, I don't think you need to buy down.

CHAIRPERSON BAZIAN: Keep it the way it is?

MR. CINELLI: Keep it the way it is. I mean, you carry a $250,000 retention on all the other risks anyway. Okay. So in essence here, you're carrying $70,000 give or take on any one claim. And a lot of times you handle some of these claims administratively. It doesn't get to that level. Okay. You have administrative hearings and so forth like that. I don't think it's necessary.

CHAIRPERSON BAZIAN: Tom, do you agree with that?

COMMISSIONER DeVITA: That we shouldn't have --

MS. YOUNG: No, you have to have it.

CHAIRPERSON BAZIAN: We don't have to change it.

MR. CINELLI: I don't think you need to reduce.

COMMISSIONER DeVITA: No, I'd leave it like this.

MR. CINELLI: You're a Commission that can retain the risk by catastrophic loss. And that's what you've been doing.

COMMISSIONER DeVITA: I like that.

CHAIRPERSON BAZIAN: Okay.

MR. KELLY: One question on claims while we're at it. We have right now about $100,000 worth of fence damage due to the storm and we have three properties are flooded. How do we go about claiming it?

MR. CINELLI: Put it in, the claim in.

MR. KELLY: One claim for all the fences?

MS. YOUNG: One occurrence.

MR. CINELLI: And the flood, put the flood in.

MR. KELLY: Per building? Per location?

MR. CINELLI: Per building.

MR. STRUCK: Like we were discussing before, whoever you have filling out the FEMA paperwork, we can put in a preliminary claim.

MR. KELLY: Commissioners didn't know we had at our reservoirs, we had close to hundred thousand dollars worth of fence damage.

MR. CINELLI: You got three quotes on that already, right?

MR. KELLY: We take the lowest bid.

MR. HANLEY: Shouldn't there be coordination between these folks and Pat on the FEMA stuff?

MR. AMODIO: Yes, Pat will do that.

MR. HANLEY: We have an inhouse guy who is extremely experienced in FEMA.

MR. STRUCK: The claim we submit. If I'm informed -- he's going to do the worksheets, right, for the FEMA? So FEMA's going to require you to send everything to the JIF first and whatever doesn't get covered, that's what --

MR. HANLEY: Have him give you a copy?

MR. STRUCK: Yes. We're just going to send the paperwork. Have him give us a copy of the FEMA. We'll send that.

MR. AMODIO: As soon as he's done, we'll send it over. He's not done.

MR. KELLY: I'm going to send my claim to the JIF first, correct?

MR. STRUCK: Correct.

MR. AMODIO: Pat is filling out the paperwork.

MR. KELLY: I got to put a claim --

MR. AMODIO: Pat is going to give that to them.

MR. CINELLI: John, you can give us what you have already. But at the end of the day, we want all the FEMA reports. Give us what you have.

MR. KELLY: I want to start the claim.

MR. CINELLI: Just for reporting purposes.

CHAIRPERSON BAZIAN: Status of Hydro Turbine Generators.

MR. AMODIO: We did that already.

MS. YOUNG: I think we're done.

CHAIRPERSON BAZIAN: We did Little Falls. Exclusion of Dams. Excess liability renewal. We discussed third quarter report. Anything on that or was that just kind of folded into everything else?

MR. CINELLI: That was pretty much what we did.

CHAIRPERSON BAZIAN: Is there anything else that needs to be brought before this committee?

Seeing none, is there any objection to an adjournment?

Okay. It is 1:43. We're adjourned.

Thank you very much.

(Proceedings concluded)

C E R T I F I C A T E

I, LYNANN DRAGONE, License No. XI01388, a Certified Court Reporter and Notary Public of the State of New Jersey, certify that the foregoing is a true and accurate transcript of the meeting at the time and the date hereinbefore set forth.

I further certify that I am neither attorney nor Counsel for, nor related to or employed by any of the parties to the action in which this meeting was taken.

I further certify that I am not a relative or employee of anyone employed in this case, nor am I financially interested in this action.

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LYNANN DRAGONE, CCR
Certified Court Reporter