PERMA Risk Management Services

David N. Grubb
Managing Director
9 Campus Drive, Suite 216
Parsippany, NJ 07054-4412
Telephone (201) 881-7632

Kate Delany
126 E. Palmer Avenue
Collingswood, NJ 08108

August 22, 2019

Dear Ms. Delany:

This will respond to your recent OPRA request.

OVERVIEW

The Camden County Municipal Joint Insurance Fund managed by PERMA has saved area taxpayers over $196 million since the inception of the program in 1987. This averages $5.8 million for each member. PERMA's programs have the lowest administrative and management costs in the business and are operated with the highest standards of financial strength. Over half of these savings are the result of the improved safety record achieved under the guidance of PERMA's affiliate, J. A. Montgomery.

The Camden JIF is controlled and governed by member appointed Commissioners who make all decisions. Their meetings are open to the public and subject to the Open Public Meetings Act and the Open Public Records Act. The JIF is also closely regulated by the New Jersey Department of Banking and Insurance and the New Jersey Department of Community Affairs.

JIFs are substantially less expensive than commercial insurance companies. As a result, approximately 85% of public entities nationwide belong to over 500 JIFs. In New Jersey, almost all local units of government (municipalities, counties, and local authorities) and boards of education are members of JIFs.

Reasons for Savings

PERMA managed JIFs have substantially lower non-claim costs.[1] Based on audited financial reports, PERMA managed JIFs average 85% of final cost for claims. According to the JIF's actuary, the commercial property casualty insurance companies nationwide average only 69% for claims. This figure includes defense costs and the cost of adjusting claims.

PERMA managed JIF's have the lowest administrative costs in the state. Specifically, PERMA's management fees average only 3% of total cost as compared to 5.1% for all other non PERMA local unit New Jersey JIFs.

Risk Control Results

Another important metric is the effectiveness of safety and risk control programs. PERMA managed JIFs have reduced their accident rates by over 65%. Since 1991, these JIFs have lowered their average employee lost time accident rate from 5.73 lost time accidents per 100 employees per year to below 2.0 today.[2] PERMA along with its sister company, J.A. Montgomery, has developed numerous nationally recognized programs to assist local government that are posted on our web site as a comprehensive safety resource center. Each year, J.A. Montgomery conducts over 1,100 training classes attended by over 24,000 member employees. Another 29,000 employees complete on-line training programs written and produced by J.A. Montgomery.

The PERMA has also taken the lead to address other risk control issues. For example:

- **Employment Practices:** Almost daily, various governmental entities are named in employment practices law suits. To address this issue, every two years PERMA updates the model employment practices risk control program that has now been adopted by over half of the local units in the state. This program includes a model policy and procedures manual as well as model training programs for senior

[1] Non-claim costs include administration, general legal, safety, claims adjusting expense and fees to insurance agents.

[2] To enable commissioners to monitor safety results, each month PERMA computes and distributes the lost time accident frequency for each JIF member.

management and on line anti-harassment training programs for all other employees. Each year, over 1,500 local elected officials complete risk management training conducted around the state. As a result, there has been a vast improvement in the compliance levels of basic personnel procedures.

- **Crossing Guards:** PERMA took the lead to develop a crossing guard safety training program with the New Jersey Association of Chiefs of Police. We also are one of the major sponsors of the Rutgers crossing guard safety training program. These programs are distributed to all municipalities in the state.

- **Cyber Risk Management:** PERMA has produced, in conjunction with Rutgers, a comprehensive cyber risk control program that is specifically designed for the needs of local government. This includes an on-line training program for all officials and employees.

Commissioner Control

An important factor in the success of Camden JIF is that it is controlled by its Commissioners. Each member town appoints one of its elected officials or employees to serve as a Fund Commissioner. The Commissioners elect officers and an Executive Committee that meets monthly to decide the Fund's business. PERMA's role as Executive Director is equivalent to that of a town manager reporting to an elected governing body.

The major advantage of this structure is the members have a far greater opportunity to participate in JIF governance by attending the monthly meetings. As a result, they are continually exposed to the importance of safety and claims control. Because 85% of the final cost of property/casualty insurance is claims, this consistent monthly involvement of local officials is the critical factor in the dramatic reduction of the accident rate and the other improvements in risk management.

Role of Local Agents

The local agents are responsible for numerous risk management functions that are detailed in the By-laws and their contracts.

Among these responsibilities are review of exposures, completion of underwriting surveys, assistance in claims processing, safety programs and review of contracts. These professionals, who are known as "Risk Management Consultants" can rightly take credit for their role in improving safety records and achieving other savings far in excess of their compensation.

The "risk managers" are selected by members in accordance with the public contracts law including "pay to play" regulations. The fees paid are typically *less than half* of the commissions paid by commercial insurance companies.

Selection of Service Providers and Other Professionals

The JIF Commissioners follow both the procedures established by the Public Contracts Law and the best practices recommended by the New Jersey Controller. We also retain a Qualified Purchasing Agent (QPA) who oversees the process. At the intervals established by law, the JIF advertises RFQs (Request for Qualifications) for all functions using a format adapted from the standard RFP used by the New Jersey Department of Purchasing. All contracts including the position of Executive Director and Fund Attorney are subject to the RFQ process.

Selection of Defense Attorneys

PERMA does not select attorneys for the panel and does not assign cases to attorneys. Defense attorneys are selected by a process that begins with a periodic RFQ released by the Fund to give potential candidates an opportunity to make application to participate on the fund's legal panel. After reviewing the applications, the Fund Attorney recommends a panel that is appointed each year by resolution of the commissioners at their January re-organization meeting. After the panel is selected, individual cases are assigned to defense attorneys by the Fund Attorney.

PERMA's Parent Company

In 2007, when PERMA was purchased by Commerce National Bank, there was a clear understanding that no one in the organization would attempt to exert influence on PERMA's governance of the JIFs.

That understanding remained in place when the Commerce insurance division was spun off into Conner Strong & Buckelew (CSB). The officers of CSB, including the Chairman, Executive Chairman and President/CEO, have kept to both the letter and spirit of that understanding.

Response to Information Request

Since this information request includes numerous files, we are providing these documents through a File Transfer Protocol (FTP) site.

> https://sftp.connerstrong.com/thinclient/
> Username: camden_jif_opra
> Password: R3q4@Mst
> Expires: 9/3/2019

We are available to meet with you to further discuss these responses.

Sincerely,

David N. Grubb

David N. Grubb
Managing Director