

**REPORT ON TARGET EXAMINATION**  
**OF THE**  
**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**250 PEHLE AVENUE, SUITE 701**  
**SADDLE BROOK, NEW JERSEY 07663**  
**AS AT DECEMBER 31, 2009**

FILED

July 10, 2012

Commissioner  
Department of Banking &  
Insurance

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**

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**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
OFFICE OF SOLVENCY REGULATION  
PO BOX 325  
TRENTON, NJ 08625-0325

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

KENNETH E. KOBYSLOWSKI  
*Acting Commissioner*

TEL (609) 292-5350  
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July 9, 2012

Honorable Kenneth E. Kobylowski  
Acting Commissioner of Banking and Insurance  
State of New Jersey  
20 West State Street  
P.O. Box 325  
Trenton, New Jersey 08625

Dear Acting 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 Bergen Municipal Employee Benefits Fund  
C/O PERMA Risk Management Services  
250 Pehle Avenue Suite 701  
Saddle Brook, New Jersey 07663

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:10-36 of the New Jersey Revised Statutes.

The examination was made as at December 31, 2009. The examination was limited to the assets and liabilities reported by the Fund and included a review of the excess insurance program in place at December 31, 2009. The examination was conducted at the office of the Fund's

Executive Director, PERMA Risk Management Services, 250 Pehle Avenue Suite 701, Saddle Brook, New Jersey 07663.

The conduct of the examination was governed by the procedures outlined in the N.A.I.C. 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 Bergen Municipal Employee Benefits Fund (the "Fund") was established on April 1, 1992, in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey Statutes". 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 individual member unit.

- Medical
- Dental
- Prescription
- Vision

As a member of the Municipal Reinsurance Health Insurance Fund (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 severally liable for the MRHIF's liabilities.

The exact terms and conditions of coverage are detailed in the Fund's Risk Management Plan. The Fund's self-administered benefits are processed by United Healthcare Insurance Company of Hartford, Connecticut, and Aetna, Inc. of Blue Bird, Pennsylvania. As of December 31, 2009, the Fund consisted of twenty-three municipalities, one sewerage authority and two boards of education with a total of 1,200 members in medical, 1,864 members in dental and 569 members in prescription. Each member assigns a representative to the Fund. The Board of Commissioners (the "Board"), which governs as the executive committee, is elected consisting of five (5) commissioners and two (2) alternates. The Board also elects the chairperson and secretary who serve co-terminously with their underlying local office until January 1st of the following year.

The Board may approve membership by two-thirds (2/3) vote of the committee, if the applicant's claim experience, plan design, and personnel practices are compatible with the Fund's objectives and the applicant meets other criteria established by the Fund. Membership may be terminated by a two-thirds vote of the Board for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws. A participant may withdraw before the end of its membership by giving proper notices and following required procedures at least sixty (60) days before the date of withdrawal.

The Address of the registered agent upon whom process may be served at December 31, 2009 was obtained and is noted below

PERMA Risk Management Services  
 250 Pehle Ave, Suite 701  
 Saddle Brook, NJ 07663

**MANAGEMENT AND CONTROL**

Each participating Local Unit shall appoint one member 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 Representative who shall be a member of its governing body Board, or one of its employees, who shall serve as the Fund Representative in the absence of the appointed regular Fund Representative. In the event the number of participating local units is an even number one additional representative shall be appointed annually for each Fund Year by a participating local unit on a rotating basis determined alphabetically.

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. The following is listing of Board Representatives and Commissioners serving at December 31, 2009.

Charles Cuccia	Chairman
Robert Ryaby	Secretary
Joseph Iannaconni	Treasurer
James Rotundo	Executive Committee
Linda LoPiccolo	Executive Committee
Peter Van Winkle	Executive Committee
Robert Hoffman	Executive Committee
Maureen Iarossi-Alwan	Executive Committee
Paul Garjian	Fund Commissioner
Joseph Scarpa	Fund Commissioner
Victor M. Polce	Fund Commissioner
Charles Cuccia	Fund Commissioner
Anthony Luna	Fund Commissioner
Anthony Ciannanmea	Fund Commissioner
Terrence Wall	Fund Commissioner
James Rotundo	Fund Commissioner
Linda LoPiccolo	Fund Commissioner

Gene Vinci	Fund Commissioner
Robert Ryaby	Fund Commissioner
Robert Hoffman	Fund Commissioner
Dominick Azzolini	Fund Commissioner
Peter Van Winkle	Fund Commissioner
Maureen Iarossi-Alwan	Fund Commissioner
Hugo Poli	Fund Commissioner
Michael Marinello, Jr.	Fund Commissioner
Tom Carroll	Fund Commissioner
Frank Covelli	Fund Commissioner
Christopher Assenheimer	Fund Commissioner
Nicholas Saros	Fund Commissioner
John Hansen	Fund Commissioner
Christine Werner	Fund Commissioner
Peggy Thomas	Fund Commissioner
PERMA Risk Management Services	Administrator
United Healthcare, Inc.	Claims Administrators, Medical
Aetna	Claims Administrators, Medical

**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 limited to \$5,000,000 for each claim with aggregate retentions of \$23,470,792 or 121% of budgeted claims for medical and \$1,873,338 or 105% of budgeted claims for dental. 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**

\$300,000 excess of \$200,000 with coverage provided by MRHIF  
 \$4,500,000 excess of \$500,000 with coverage provided by Munich American Reinsurance Company 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. Reinsurance premiums for the years ended December 31, 2009 were \$1,709,486.

**AUDITED FINANCIAL REPORT:**

Pursuant to **N.J.A.C. 11:2-26.4** an annual audit was performed by the CPA firm Lerch, Vinci & Higgins, 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 – Combined Statement of Net Assets Available**

**Exhibit B -- Historical Operating Results All Years Through December 31, 2009 All Fund Years**

**EXHIBIT-A**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**DECEMBER 31, 2009**  
**COMBINED STATEMENT OF NET ASSETS AVAILABLE**

**ASSETS**

Cash and Cash Equivalents	\$7,137,269
Assessment Receivable	444,7059
Excess Insurance Receivable	355,460
Prepaid Items	24,306
Other Assets	<u>44,048</u>
Total Assets	<u>\$8,005,788</u>

**LIABILITIES and RESERVES**

Accounts Payable	\$ 48,962
Unearned Contributions	3,448
Accrued Expenses	151,569
Loss Reserves IBNR	<u>2,119.858</u>
Total Liabilities and Reserves	<u>\$2,323,837</u>
Net Assets Unrestricted	<u>\$5,681,951</u>
Total Liabilities, Reserves and Net Assets	<u>\$8,005,788</u>



**EXHIBIT-B**

**BERGEN MUNICIPAL EMPLOYEE BENEFITS FUND**  
**HISTORICAL OPERATING RESULTS ALL YEARS THROUGH**  
**DECEMBER 31, 2009 ALL FUND YEARS**

	<u>Closed Years</u> <u>Contingency Fund</u>	<u>2008</u>	<u>2009</u>
<b><u>UNDERWRITING INCOME</u></b>			
Assessments	\$ 286,478,665	\$ 22,654,425	\$ 24,531,643
Other Income(Excluding Investments)	<u>450,566</u>	<u>117,929</u>	<u>129,093</u>
Total Income	<u>286,929,231</u>	<u>22,772,354</u>	<u>24,660,736</u>
<b><u>INCURRED LIABILITIES</u></b>			
Claims:			
Paid	255,393,920	20,676,725	19,422,526
Excess Insurance Recoverable and Other Recoverables	(8,998,632)	(1,247,069)	(406,078)
Loss Reserves IBNR	<u>0</u>	<u>80,000</u>	<u>2,039,858</u>
Limited Incurred Claims	<u>246,395,288</u>	<u>19,509,656</u>	<u>21,056,306</u>
<b><u>Expenses:</u></b>			
Excess Insurance Premiums	10,431,462	1,638,016	1,709,486
HMO/PPO Premiums	2,966,625	44,858	57,335
General and Administrative Expenses	<u>21,633,639</u>	<u>1,914,532</u>	<u>1,986,859</u>
Subtotal Expenses	<u>35,031,726</u>	<u>3,597,406</u>	<u>3,753,680</u>
Total Incurred Liabilities	<u>281,427,014</u>	<u>23,107,062</u>	<u>24,809,986</u>
<b>Underwriting Surplus (Deficit)</b>	5,502,217	(334,708)	(149,250)
Investment Income	<u>2,381,266</u>	<u>21,224</u>	<u>5,254</u>
<b>Gross Operating Surplus (Deficit)</b>	7,883,483	(313,484)	(143,996)
Return of Surplus	<u>(1,744,052)</u>	<u>0</u>	<u>0</u>
<b>Net Statutory Surplus (Deficit)</b>	<u>\$ 6,139,431</u>	<u>\$ (313,484)</u>	<u>\$ (143,996)</u>

**LOSS RESERVES/IBNR**

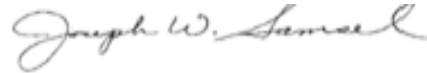
The Loss Reserves/IBNR as reported by the Fund at December 31, 2009 were \$2,119,858. The reserves as reported were verified by the performance of a six month run off of the payments made in 2010. This review indicated that the reserves reported by the Fund were adequate.

Paid losses were reconciled to Fund reports and no material exceptions were noted. Samples of payments were scheduled and traced to supporting documentation without exception. Completeness testing was performed for selected TPA's without exception.

**ACKNOWLEDGEMENT**

The examination was completed at the office of the Fund's Executive Director, PERMA Risk Management Services, 250 Pehle Avenue Suite 701, Saddle Brook, New Jersey 07663. The courteous cooperation extended to the examiners by Fund Management is acknowledged.

Respectfully submitted



Joseph Samsel CFE  
Insurance Examiner

**BERGEN MUNICIPAL 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, 2009 to the best of my information, knowledge and belief.

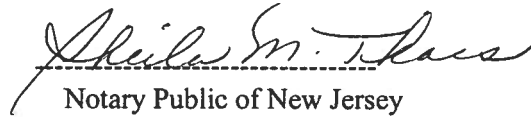
Respectfully Submitted,



Joseph Samsel CFE  
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 10<sup>th</sup> day of July 2012

  
Notary Public of New Jersey

My commission expires on July 2015