

REPORT ON TARGET EXAMINATION
OF THE
SOUTHERN NEW JERSEY REGIONAL 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

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

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**State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION
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KIM GUADAGNO
Lieutenant Governor

Thomas B. Considine
Commissioner

**Tel (609) 292-5350
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March 16, 2011

Honorable Thomas B. Considine
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625

Commissioner:

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

**The Southern New Jersey Regional Employee Benefits Fund
PERMA Risk Management Services,
250 Pehle Avenue, Suite 701
Park 80 West, Plaza One
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:10-47 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 Southern New Jersey Regional Employee Benefits Fund (the "Fund") was formed as a purchasing group effective August 1, 1992 and became a member of the Bergen Municipal Employee Benefits Fund (B-Med) as of September 1, 1992. In 1995 the Fund became an independent health insurance joint insurance fund pursuant to N.J.S.A. 40A:10 and NJAC 11:15-3 when the Fund received approval from the New Jersey Department of Insurance.

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

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

- Medical
- Dental
- Prescription
- Vision

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

Effective January 1, 1999, the Fund became a member of the Municipal Reinsurance Health Insurance Fund (the "MRHIF"). The MRHIF is a risk-sharing public entity risk pool that is a self-

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

The Address of the registered agent upon whom process may be served at December 31, 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 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 authorized 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.

Theodore Dorn	Chairman
Michael Mevoli	Secretary
Joanne Diggs	Treasurer
Richard Michelli	Executive Committee
Louis DI Angelo	Executive Committee
Anthony Beatrice	Executive Committee
Terry Shannon	Executive Committee
Joseph Wolke	Executive Committee

Terry Shannon	Fund Commissioner
Louis DiAngelo	Fund Commissioner
Leonard Klepner	Fund Commissioner
Michael Mevoli	Fund Commissioner
Michael Blunt	Fund Commissioner
Anita Mancini	Fund Commissioner
Jack Lipsett	Fund Commissioner
Theodore Dorn	Fund Commissioner
Tyrone Wakefield	Fund Commissioner
Frank Delucca Jr.	Fund Commissioner
Richard Michelli	Fund Commissioner
George Haeuber	Fund Commissioner
Geoffrey Urbanik	Fund Commissioner
Frank Campisi	Fund Commissioner
M. Joseph Wolk	Fund Commissioner
Michael Razzo	Fund Commissioner
Anthony Beatrice	Fund Commissioner
Karen Sweeney	Fund Commissioner
Joanne Diggs	Fund Commissioner
Joseph Broski	Fund Commissioner
Loretta Buchanan	Fund Commissioner
Joseph Gilson	Fund Commissioner
Joyce Stumpo	Fund Commissioner
Kathy Mastran	Fund Commissioner
Tom Fanuka	Fund Commissioner
Robert Scharler	Fund Commissioner
Jennifer Johnson	Fund Commissioner
Beth Ann Coleman	Fund Commissioner
PERMA Risk Management Services	Administrator
Aetna, Inc.	Claims Administrators, Medical
Delta Dental	Claims Administrators, Dental
Express Scripts, Inc.	Claims Administrator, Prescriptions

INSURANCE AND EXCESS INSURANCE

The Fund is a self-administered group of local government entities formed for the purpose of providing employee health benefits for its members. The following coverages 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 \$34,344,876 or 123% of budgeted claims for medical and \$1,147,048 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.

AUDITED FINANCIAL REPORT:

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

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A – Statement of Net Assets Available

Exhibit B - Statement of Revenue, Expenses And Changes In Net Assets For the Years Ended December 31, 2009 And 2008

EXHIBIT-A

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND
STATEMENT OF NET ASSETS AVAILABLE
DECEMBER 31, 2009

<u>ASSETS</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 13,034,983
Contributions Receivable	822,124
Refund Receivable	162,758
Excess Insurance Receivable	410,070
Investment In Joint Venture	<u>1,998,616</u>
Total Assets	<u>\$ 16,428,551</u>
<u>LIABILITIES, RESERVES AND NET ASSETS</u>	
Accrued Insurance Premiums	\$ 680,732
Accrued Expenses	24,525
Advance Contributions	67,441
Loss Reserves IBNR	<u>3,463,590,</u>
Total Liabilities and Reserves	<u>\$4,236,288</u>
Net Assets Unrestricted	<u>\$12,192,263</u>
Total Liabilities, Reserves and Net Assets	<u>\$16,428,551</u>

EXHIBIT -B**SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND**
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Regular Contributions	\$46,085,799	\$29,432,663
Expenses And Cumulative Adjustments::		
Claims Benefits - Net	37,350,574	22,518,575
Insurance Premium	2,519,251	1,811,185
Administration	4,198,645	2,670,204
Total Expenses and Cumulative Adjustments	<u>44,068,470</u>	<u>26,999,964</u>
Excess of Revenues from Operations	2,017,329	2,432,699
Non-Operating Revenue		
Investment Income	87,165	170,500
Municipal Reinsurance Health Insurance Fund Dividend	0	95,234
Change in Investment In Joint Venture	1,052,519	334,608
Excess of Revenue/	<u>3,157,013</u>	<u>3,033,041</u>
Net Assets, Beginning of Year	9,398,283	6,728,242
Return Of Surplus	<u>(363,033)</u>	<u>(363,000)</u>
Net Assets, End of Year	<u>\$12,192,263</u>	<u>\$9,398,283</u>

LOSS RESERVES/IBNR

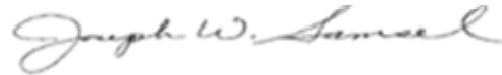
The Loss Reserves/IBNR as reported by the Fund at December 31, 2009 were \$3,463,590. The reserves as reported were verified by the performance of a six month run off of the payments made in 2010. This review indicated that the reserves reported by the Fund were adequate.

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

SOUTHERN NEW JERSEY REGIONAL EMPLOYEE BENEFITS FUND

I, Joseph Samsel, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2009 to the best of my information, knowledge and belief.

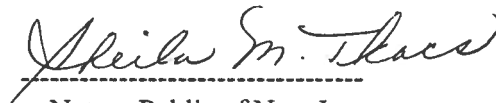
Respectfully Submitted,



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 10th day of July 2012



Notary Public of New Jersey

My commission expires on July 2015