

A special meeting of the East Amwell Township Committee came to order at 6:45 PM. Present were Mayor C. Larry Tatsch and Committee members Peter Kneski and Tim Mathews. Deputy Mayor Patricia Cregar and Committee member Linda Lenox were absent. Administrator Timothy Matheny was present. Committee member elect Dart Sageser was also in attendance.

In compliance with the Open Public Meetings Act, a copy of notice of this meeting was filed in the Clerk's Office, posted on the bulletin board, and sent to the Hunterdon County Democrat, Times of Trenton, and Star Ledger on December 22, 2011. The purpose of this meeting is to meet with the Township's insurance agent from Wells Fargo to discuss insurance renewal.

The public is invited to attend and comment at the open portion only. Action may or may not be taken.

Peter Tarricone, Senior Vice President, Wells Fargo Insurance, was present. He provided background information on his residency and his background in insurance, including being the Northeast Liaison for Wells Fargo, handling the insurance needs for Hunterdon County. He thanked Mr. Matheny and the Clerk for their assistance.

Mr. Tarricone spoke about getting quotes from three funds, Somerset, Statewide, and Public Alliance Insurance Company (PAIC). He spoke about reviewing the coverage of all three companies, with nothing significant in terms of coverage, but some differences in funds. He mentioned that PAIC has \$9,000,000 in assessments and \$4.8 million in reserve, and Somerset has almost the same. Statewide has \$19,000,000 in assessments and only \$5.2 million in reserve, not quite 4 to 1. There would be a three year commitment in whichever fund the Committee chooses. PAIC and Somerset usually have surplus to return to members, and Statewide has given money back once. Administration of the program is almost the same in all funds, but fees are differently structured. The fee for Wells Fargo is the same in all accounts; however, Mr. Tarricone spoke about a working relationship with PAIC since the County is in that fund. Mr. Tarricone provided anecdotal information on some of his accounts, one which he has had for 37 years and one town who was with PAIC and was given \$100,000 to fight a case involving billboards. He explained that joint funds are intended to keep municipalities covered.

Mr. Tarricone spoke about differences in funds, and sometimes premiums can vary from year to year. He spoke about consistency of premiums, and if the fund remains stable, sometimes members are given refunds on surplus. He reminded the Committee that the surplus is actually the members' money and should be returned to the member, even after they leave the fund. Mr. Tarricone explained the process of how the fund determines how much surplus to return, based on the calculations of an actuary using conservative figures. He cautioned about a Connecticut joint insurance fund (JIF) that went under in recent years. He also noted that JIFs are only for government entities and are usually stable. On a question about surplus refund for East Amwell, he did not have exact figures, but it was around \$36,000 since 1997 when East Amwell entered the PAIC fund.

Mr. Kneski asked about differences in coverage as outlined in the comparison sheets. Mr. Tarricone explained that PAIC and Statewide had similar coverage, however, Statewide showed the coverage as included under the gross limit. Mr. Tarricone also pointed out that PAIC provided \$1,000,000 in coverage for cyber-liability.

Mr. Tarricone explained that PAIC is a homogenous fund, having county and municipal members. Somerset is non-homogenous, including colleges and boards of education.

Mr. Tarricone explained that the member pays the \$1,000 in a particular claim, that PAIC would pick up the next \$49,000 as the first layer, and the secondary (currently MEL) would pick up the additional amount up to \$200,000 as an example. He did not know who the reinsurers were for Somerset or Statewide.

Mr. Tarricone explained that the Township's assessment is based on appraisals, population, and payroll. On a question from Mr. Mathews, Mr. Tarricone explained that he is the risk manager for the County of Hunterdon itself.

Mayor Tatsch suggested that the decision would be between PAIC and Statewide since Somerset is more than they want. He spoke about security with PAIC and a lower premium with Statewide, and he asked Mr. Tarricone to help the Committee understand the risk.

Mr. Tarricone said that the difference in coverage “was not the deal breaker” and that Wells Fargo would work with which fund is chosen. He noted that Statewide approached the Township directly, that they have been on a watch list at the state for their financial situation, their reserve was less than what is listed at the state site and they are liable for the information they provide, and a big determining factor is that this is the worst time in the industry to buy coverage (based on his 37 years in insurance), and they have a \$3,000,000 deficit. Mr. Tarricone also said that he could not speak to the assessment for next year, that the low assessment this year is not actuarially sound. He tried to get assessments for other members in Statewide, but they were not released to him.

Mr. Tarricone also noted various categories of coverage based on exposures, noting stronger coverage with PAIC on environmental issues, public officials, and cyber-liability.

Mayor Tatsch asked if Mr. Tarricone had knowledge of Stockton Borough claims noting substantial claims in the municipality and being aware of “horror stories.” Mr. Tarricone spoke about the claims process sometimes being challenging, but it was not a problem with PAIC. Mr. Mathews asked if the same could be true of Statewide; Mr. Tarricone had no experience with them. Mr. Tarricone explained his working relationship with PAIC, including writing a risk management plan for the state and thereafter having PAIC appoint him as head of Risk Management, which includes chairing some committees and attending MEL meetings.

Mr. Matheny explained the process of the three year agreement for insurance coverage and the fact that the Township reserved its right in October to look at options. He had a call from Attorney Cushing, who represents Statewide, to look at them. A representative from Statewide did meet with Mr. Matheny. He explained a “disconnect” in the process of having our brokers look at options. He stated that there has been a good record with PAIC and with the brokers. Mr. Matheny asked Mr. Tarricone if Statewide pays less to brokers; Mr. Tarricone said that there was a flat fee, that Statewide pays less, and the assessments were less and fees could not be negotiated in JIFs. Mr. Matheny mentioned asking Wells Fargo to get some answers from Statewide, and the response was not provided to the agent, but only to him, stating communications were “less than professional.” He also spoke with the Township CFO, who said that her primary municipality had Statewide, had no problems and left the fund for better pricing.

Mr. Mathews asked about any differences in coverage. Mr. Tarricone mentioned that PAIC is leaving MEL and going to Chartis, and employee practices coverage will be front and back pay with the same deductibles. PAIC has co-insurance, while Statewide does not, and Statewide is for back pay only. Mr. Tarricone agreed that coverage by PAIC and Statewide are “pretty much the same.”

Mr. Kneski asked about municipality exposure and types of coverage. Mr. Tarricone noted that PAIC has a broader pollution coverage line. He also noted that claims for PAIC go to a claims committee for decision.

There being no further business, motion by Mr. Kneski, seconded by Mr. Mathews, and it was carried unanimously to adjourn the special meeting at 7:30 p.m.

Teresa R. Stahl, RMC/CMC
Municipal Clerk