



# JOINT CIRCULAR

## STATE OF NEW JERSEY

### DEPARTMENT OF THE TREASURY

NO.: 15-11-OMB/DRM	ORIGINATING AGENCIES: OFFICE OF MANAGEMENT AND BUDGET (OMB) DIVISION OF RISK MANAGEMENT (DRM)	PAGE 1 OF 4
EFFECTIVE DATE: JULY 1, 2015	EXPIRATION DATE: INDEFINITE	SUPERSEDES: 07-02-OMB/DRM
SUBJECT: DEPARTMENTAL RESPONSIBILITY AND PROCEDURE FOR REPORTING ASSET IMPAIRMENTS AND LOSSES TO REAL OR PERSONAL PROPERTY OR OTHER STATE ASSETS		
ATTENTION: DIRECTORS OF ADMINISTRATION, CHIEF FINANCIAL OFFICERS, AND FACILITY MANAGERS		
FOR INFORMATION CONTACT: MICHAEL SMITH, ACTING DIRECTOR, DIVISION OF RISK MANAGEMENT MICHELE MOCHEL, DIVISION OF RISK MANAGEMENT STEVEN SAGNIP, OMB/FINANCIAL REPORTING		PHONE: (609) 292-3477 PHONE: (609) 292-3148 PHONE: (609) 292-3175

#### SUMMARY OF CHANGES:

This Joint Circular has been updated to reflect the following:

- Change Bureau of Risk Management (BRM) to Division of Risk Management (DRM)
- Update the contact information to reflect current personnel
- Establish coverage eligibility is dependent upon adherence to OMB Circulars 11-18-OMB and 11-19-OMB
- Add requirement to notify DRM of any impairment to fire protection and alarm systems
- Departments are responsible for maintaining fire and alarm systems on vacant buildings – section V
- Add recovery from responsible parties – section VIII

#### BACKGROUND:

The Division of Risk Management (DRM) maintains property insurance on assets owned or leased by the Executive, Legislative and Judicial branches of the State of New Jersey and other certain agencies. The insurance program includes a Self Insured Retention (SIR) commonly understood as a “deductible.” In accordance with General Accepted Accounting Principles and Governmental Accounting Standards Board Statement No 42: Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, it is the responsibility of the Office of Management and Budget (OMB) to track, and if necessary, perform accounting adjustments to the State’s Comprehensive Financial Statements for any losses and insurance recoveries.

**PURPOSE:**

This Circular sets the policy and procedures for communicating losses to State assets, both tangible and intangible, real and personal property, including but not limited to, building, land improvements and equipment such as computer software, boiler, machinery, miscellaneous electrical apparatus, boats and helicopters. This Circular Letter supersedes DRM Policy 1.3.

This Circular establishes the sharing of risk between the DRM and departments/agencies occupying the premises and the reporting of events and associated costs to OMB. DRM has established that each department's share of any covered loss is \$100,000 and the DRM's obligation is for the balance of the deductible. Losses approaching or exceeding the department's/agencies' deductible must be reported to DRM. OMB has integrated the reporting process into the statewide Land and Building Management System (LBAM)

**PROCEDURE:****I. Inventory and Exclusions**

Coverage is provided for an insured occurrence which results in physical damage to State owned and leased property and equipment, at locations captured in LBAM and inventoried as defined in OMB Circulars 11-18-OMB, 11-19-OMB, and the annual fiscal year end reporting of Capital Assets Circular.

- A. As directed by OMB Circulars 11-18-OMB and 11-19-OMB, all departments/agencies must maintain current inventories of all property by location in LBAM. For coverage under this program, the departments/agencies must upload a spreadsheet of their annual inventory, including the location, to department's/agencies' headquarters in LBAM. Inventories are to be maintained using replacement values. Each agency must enter the aggregate total for each building in the content cost module found within the financial section of the LBAM building record. Loss recovery is for repair or replacement, subject to insurers' policy exclusions, at the time of the loss.
- B. Typical exclusions to coverage:
1. Losses occurring at locations not reported in LBAM.
  2. Any motor vehicle or equipment with a NJ Registration and/or License Plate.
  3. Mysterious disappearance or shrinkage identified during the annual inventory, depletion, deterioration, corrosion or erosion of material, wear and tear, extreme changes in temperature including freezing, shrinkage or evaporation, moths, vermin or inherent vice(i.e. a latent defect-not readily observable or discoverable).
  4. Settling, cracking or deforming unless collapse of the structure actually occurs.
  5. Faulty workmanship, materials, construction or design unless an ensuing insured loss occurs.
  6. Loss resulting from neglect of the insured to use all reasonable means to save and preserve property when it is in danger of physical damage.
  7. Loss resulting from failure to perform proper maintenance on the facility.

This is only a general list of exclusions. For specific exclusions contact the Division of Risk Management.

## II. Limits of Liability

Each facility is fully insured for physical damage, on a repair or replacement basis, in like kind and quality, of facilities and/or contents damaged due to an insured peril subject to the limitations established by the applicable policy of insurance.

## III. Loss Administration and Deductible

Losses will be administered through the DRM subject to the following stipulations and deductible:

- A. Any loss that does not exceed \$100,000 to repair or replace the damaged property is assumed directly by each department/agency occupying the premises.
- B. All losses will require the department/agency to certify that replacement is essential to their operation and will be paid based upon the department/agency occupying the premises issuance of purchase orders, invoices, etc., to repair or replace the damaged property.
- C. Costs associated with a delay in the repair or replacement of damaged property, beyond normal State contracting and purchasing procedures, shall be borne by the department/agency incurring the loss.

## IV. Newly Acquired Locations

The DRM must advise its insurance carrier of all newly acquired facilities, whether owned, licensed, or leased and its contents to be covered. Therefore, the department/agency, and in the case of leased properties, the Division of Property Management and Construction, acquiring a new facility must report the acquisition in LBAM within **30 days of the date of acquisition** (as opposed to occupancy which may occur at a later time). LBAM automatically notifies DRM of the acquisition when the department/agency creates a building record. Failure to report newly acquired premises within the 30-day limitation may limit the extent of coverage or exclude the facility from coverage under this program until the date reported or the effective date of an insurance underwriter's binder.

## V. Vacant Buildings

Policy terms require that DRM provide the insurance carrier with written notification when the State ceases operations at a location or when a building or facility is vacant or unoccupied for any length of time. The agency must update the vacancy status in LBAM within 24 hours of the event. LBAM will then notify DRM. Departments/Agencies are responsible for maintaining fire protection, security, and alarm service during such vacancy for insurance to continue.

## VI. Impairment of Fire Protection/Security/Alarm Systems

Policy terms require that DRM provide the insurance carrier with written notification when any protection systems are impaired. Departments/Agencies are responsible for maintaining fire protection, security and alarm systems and must notify DRM prior to disabling or impairing any system.

## VII. Procedures in the Event of Loss

In the event of a loss you must take the following actions:

- A. Immediately report the loss event to the DRM by telephone. The contact telephone number is (609) 292-3477 or (609) 292-3148.
- B. In the case of a fire related loss, immediately report the loss by telephone to the State Fire Marshall. The contact telephone number is (609) 633-6106.

- C. In the case of a theft related loss, immediately report the loss by telephone to both the State Police and the local law enforcement authority.
- D. If a leased location or building is managed by the Department of the Treasury, Division of Property Management and Construction, report the loss by telephone and in writing to either your Lease Manager or Facility Manager.
- E. Within 24 hours following a loss, initiate a Loss Report in the LBAM system and submit, through LBAM, the report to OMB and DRM.
- F. Follow up the initial report with a more detailed one, including copies of all estimates, invoices, and labor and material charges (including use of your own materials, stock withdraws, and use of your personnel for cleanup and repairs). These documents should be uploaded to the LBAM loss record.

The DRM will coordinate with all insurance carriers and adjusters for loss adjustments involving State property. The DRM will update the insurance recovery information in the LBAM loss record.

Please note that the insurance carrier retains the right to refuse to honor a loss for failure: 1) to give prompt notification once a loss becomes known to the insured or 2) to provide timely cooperation in investigating the claim.

### VIII. Recovery from Responsible Parties

DRM will pursue recovery of loss costs, including department/agency's deductible contribution, from any responsible third parties. It is the responsibility of the department/agency occupying the premises to preserve any evidence relating to the suspected or actual cause of the loss. It is also the responsibility of the department/agency to provide DRM all lease documents, property management agreements or other contracts that assign property responsibilities to others, including current Insurance Certificates from property managers and tenants.

### FORMS:

The loss reporting module in LBAM has replaced the "Notice of Loss to State Property or Facility" and the OMB GASB 42 reporting forms. Questions relating to or assistance in completing the report or general insurance questions may be directed to the DRM by calling (609) 984-0123 or writing to:

Department of the Treasury  
Division of Risk Management  
20 West State Street, 6th Floor  
P.O. Box 620  
Trenton, NJ 08625-0620  
michael.smith@treas.nj.gov

Questions regarding the LBAM loss reporting module, GASB 42 reporting requirements or obtaining access to LBAM may be directed to OMB: Financial Reporting at (609) 292-9505.



Michael Smith, Acting Director  
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Charlene M. Holzbaun, Director  
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