

**SERVICE AGREEMENT FOR ADMINISTRATION OF WORKERS' COMPENSATION,
AUTO AND GENERAL LIABILITY,
SELF-INSURANCE PROGRAM**

This Agreement, made and entered into this First day of January 2009, by and between INSERVCO INSURANCE SERVICES, INCORPORATED, a Pennsylvania corporation with its principal place of business in Harrisburg, Pennsylvania, Dauphin County, (the "Company") and County of Salem, SELF-INSURED with principal offices located in Salem, Salem County, New Jersey (the "Self-Insured").

In consideration of the mutual promises and agreements contained in this Service Agreement, and intending to be legally bound, the parties agree as follows:

A. DEFINITIONS.

The following definitions will apply to the words and phrases when used in this Agreement:

1. "Allocated Expenses" shall mean all items of expenses, including, but not limited to attorneys' fees, photographers' fees, expert witnesses', fees for medical examinations for claim evaluation purposes, court costs, travel expenses for witnesses, medical management, vocational rehabilitation, PPO fees, claim coordination fees, court reporters' fees, costs or expenses relating to the investigation, negotiation, settlement, or defense of any claim and as may be necessary for the handling of subrogation cases. Except for legal fees and capped attorney fees, such Allocated Expenses shall require specific prior written or verbal approval of Self-Insured.
2. "Catastrophic Loss" shall mean a claim involving multiple (10 or more) claimants resulting from the same occurrence, accident, etc. In the event of multiple claimants, each claimant, No. 10 and above, will be considered a separate claim and a \$250 per claim fee charged.
3. "Claims Administration Services" shall mean those services provided by the Company as further described in Section B in this Agreement and in any proposal or bid response of the Company relative to these services.
4. "Discretionary Settlement Authority Limits" shall mean the authority to settle claims for up to \$0 for the Company.
5. "Program" shall mean the Self-Insured's insurance program.

B. OBLIGATIONS OF THE COMPANY.

1. With regard to Claims Administration Services, the Company agrees to:
 - a) Review all Self-Insured's Report of Claim forms submitted by the Self-Insured in which the dates of injury fall during the term of this Agreement and to conduct such

investigation as the circumstances of each case dictate;

- b) Establish and maintain estimated reserve figures for each claim file and to consult with the Self-Insured with respect to payment of any case that is over Company's discretionary settlement authority;
- c) Furnish all claim forms necessary for proper claims administration;
- d) Maintain claim files for each reported claim throughout the life of the claim (in paper or imaged format), retain all closed files for a period of three (3) years following closing of the file, and, after three years, return the closed files to Self-Insured;
- e) As soon as reasonably practicable following the end of each month, furnish to the Self-Insured statistical information consisting essentially of the following details:
 - (i) The total number of claims reported to the Company during the preceding month;
 - (ii) The total amounts paid by the Company during the preceding month and a breakdown of said total on a "by line" basis;
 - (iii) The amounts paid by the Company during the preceding month on each individual case on a "by line" basis;
 - (iv) The amounts paid to date on each open claim or claim closed during the preceding month; and
 - (v) Outstanding reserves on each individual case on a "by line" basis;
- f) Transmit, weekly, to the Self-Insured a list of all medical and indemnity benefits and Allocated Expenses to be paid, the total of which represents the amount that the Self-Insured shall immediately make available in its account for payment of that week;
- g) Issue Company or Self-Insured drafts or checks for payment of benefits and Allocated Expenses, said drafts or checks being paid from an account maintained by the Company at a bank of its choice with fees or charges in connection with the account being the responsibility of the Company;
- h) Upon any termination of this Agreement, renegotiate the amount of the funds to be made available by the Self-Insured to conclude cases under the provisions of Section F.5. herein and at the conclusion of all services under this Agreement to have a final reconciliation of the account and to leave any unused funds for use of the Self-Insured;
- i) Notify the Self-Insured and excess insurance carrier of any specific case that may involve the Self-Insured's excess insurance carrier; the Company will comply with all claims reporting requirements of the excess carrier in such cases even though the Self-Insured may be solely responsible for providing notice to the carrier if the carrier contract requires such of the Self-Insured;
- j) Provide all necessary subrogation services within claims management fee;

- k) Attend any regularly scheduled Self-Insured claims meetings to review claims;
 - l) Notify the Self-Insured and seek approval for any claim requiring litigation as soon as reasonably practical;
 - m) Safety management/loss control services; Company will provide loss control services as requested by the self-insured at the rate of 110.00 per hour. Specialized loss control services will be quoted at the request of the self-insured.
 - n) Maintain and supervise such personnel as may be necessary to perform Company's duties hereunder, with the hiring, assignment and termination of such personnel being at the sole discretion of the Company; and
 - o) Maintain professional liability insurance coverage to insure against any claim for damages arising out of or by reason of any acts or omissions directly or indirectly in connection with the Company's performance of its services under this Agreement.
2. It is understood and agreed that the Company will not perform, and the Self-Insured will not request the Company to perform, any services which may constitute the practice of law.

C. OBLIGATIONS OF THE SELF-INSURED.

1. The Self-Insured agrees to:

- a) Promptly report all claims to the Company;
- b) Pay to the Company the service fees as set forth in this Paragraph F of this Agreement;
- c) Make available immediately in its account a sum equal to the weekly list of payments and Allocated Expenses supplied by the Company;
- d) Assume the cost of defense of any action on behalf of the Company, its agents or employees, if any of them are named as a defendant(s) in any action: (i) where the plaintiff's cause of action involves a claim hereunder; and (ii) where there are no allegations of errors, omissions, torts, intentional torts or other negligence on the part of the Company;
- e) Select legal counsel from list supplied by the Company or select own counsel, and having so acted, permit the Company to assign cases and/or to consult with such counsel as the Company may deem appropriate; and
- f) Provide the Company with such additional information with respect to matters incidental to the Company's performance of services under this Agreement as may be requested by the Company from time-to-time.

2. The Self-Insured shall be responsible at all times for the payment of all claims and Allocated Expenses covered by the claims administration services provided by the Company pursuant to this Agreement.
3. The Self-Insured shall cooperate with the Company in the performance of its claims administration services hereunder. The Company shall not be liable for any breach of obligations under this Agreement caused in whole or in part by the lack of cooperation or breach of obligations by the Self-Insured.

D. INDEMNIFICATION.

1. The parties agree to indemnify and hold the other party, its employees, and owners harmless from any liability, loss, cost, damage, or expense, including attorney's fees, arising out of or incident to the other party's performance of the terms of this Agreement. The parties shall further indemnify, defend and hold harmless the other party, its officers, directors, employees or agents from and against and in respect to any and all liability, loss, cost, damage or expense, including reasonable attorney's fees, that party shall incur or suffer, which arises out of, respect from or relate to any negligent act or gross or willful misconduct in the performance of a party's obligation under this Agreement by its officers, directors, employees, or agents.
2. In addition to Self-Insured's duty to indemnify Company as set forth above, Self-Insured further agrees that 1) in the event a court of competent jurisdiction holds the Company liable for bad faith, as the term is applied to insurance carriers, then Self-Insured will indemnify and hold Company harmless from any liability, loss, cost, damage, or expense, including attorney's fees, that results from that court's decision; and 2) in the event that the complained of action was taken by the Company at the specific direction of, or in reliance upon statements made by, the Self-Insured, then the Self-Insured will indemnify and hold the Company harmless from any liability, loss, cost, damage, or expense, including attorney's fees that result from Self-Insured's direction.
3. The defense, including legal fees and costs together with the amount of any judgment, of any legal action against Self-Insured arising out of a claim for coverage under the Program, shall be the responsibility of the Self-Insured and shall not be an obligation of the Company.
4. The Company shall not, by entering into and performing services in accordance with the terms of this Agreement, become liable for any of the existing or future obligations, liabilities, or debts of the Self-Insured.
5. The indemnifications provided for by this section shall survive the termination of this Agreement.

E. LIMITATION OF LIABILITY.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE COMPANY SHALL NOT BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL DAMAGES, OR DAMAGES RESULTING FROM THE PERFORMANCE OF SERVICES UNDER THIS AGREEMENT, HOWEVER ARISING, EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. COMPANY'S LIABILITY FOR DAMAGES ARISING OUT OF, RELATING TO OR IN ANY WAY CONNECTED WITH THE

RELATIONSHIP OF THE PARTIES, THIS AGREEMENT, ITS NEGOTIATION OR TERMINATION, DOCUMENTATION OR SERVICES (WHETHER IN CONTRACT, TORT, OR OTHERWISE) SHALL IN NO EVENT EXCEED THE AMOUNT PAID BY Self-Insured TO COMPANY UNDER THIS AGREEMENT. THE PARTIES AGREE TO THE ALLOCATION OF LIABILITY SET FORTH IN THIS SECTION ENTITLED "LIMITATION OF LIABILITY". Self-Insured ACKNOWLEDGES THAT WITHOUT ITS AGREEMENT TO THE LIMITATIONS CONTAINED HEREIN, THE FEES CHARGED FOR THE SERVICES WOULD BE HIGHER.

F. FEES, TERM & TERMINATION.

1. Except as otherwise provided for in Paragraph F.4. below, the term of this Agreement shall be for One year beginning on January 1,2009 and ending on December 31,2009.
2. Fees for claims administration services under this Agreement and for the term specified in Paragraph F.1 above are as follows:
 - a) Guaranteed fee of \$46,500 for year one, from January1, 2009 through December31,2009. The Company fixed fee includes all new claims as of the effective date of this contract and all open claims incurred through 12/31/08 The claims management fixed fee does not include usual allocated expenses, or catastrophic losses.
The fee for workers' compensation is 32,735
The fee for liability is 13,765.
2. Monthly invoices are due and payable upon receipt, but in no event later than thirty (30) days after the date of the invoice.

Either party may terminate this Agreement immediately for cause by providing notice in writing to the other party and that party has failed to cure if:

- a) It is established that either party needs and has lost, has suspended or has not secured a license, governmental approval or exemption in accordance with applicable laws or regulations in order to enter into or perform this Agreement; or
- b) Either party materially breaches this Agreement in any manner where such material breach is not cured within thirty (30) days after written notice of the breach is given to the breaching party; or
- c) Either party shall apply for or consent to the appointment of a receiver, trustee or liquidator of Self-Insured or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of creditor, adjudicating Self-Insured bankrupt or insolvent or approving a petition seeking reorganization of the Self-Insured and such order, judgment or decree shall continue unstayed and in effect for period of sixty (60) consecutive days, then in case of any such event, the term of this Agreement shall expire, at Company's option, on ten (10) days written notice to Self-Insured.

4. The handling of any claim pending on the date of termination of this Agreement shall be negotiated by both parties unless the parties agree to enter into a renewal or new contract for the same services. In such case, all pending claims shall be handled consistent with the fees set forth in the new Agreement.
5. Upon termination of this Agreement, shall be entitled, if it so requests, to possession of the electronic files the Company has maintained for claims, medical incidents, and occurrences (but not including any computer software or other proprietary information of the Company), provided, however, that the Company and its employees, agents, or attorneys shall continue to be entitled to inspect such files and make copies or extracts there from subject to approval by Self-Insured;
6. Upon termination of Company's duties hereunder, it shall be the responsibility of the Self-Insured to arrange and pay all costs for the transfer to a successor of custody of any of the Self-Insured's records in the Company's possession including original claims records. The Company may, at its option, transfer such records in such form, as it may desire, including computer tapes or disks, and it is the responsibility of the Self-Insured to convert such information into a form required by successor. In addition, the Company shall deliver to the Self-Insured all electronic data and hard copy data, if any, for claims within thirty (30) days following the termination of Company's duties hereunder.
7. It is expressly understood that the Company shall not be required to advance its own funds to pay losses or Allocated Expenses hereunder or to perform any services hereunder if the Self-Insured fails to provide adequate funds as herein set forth. Company will not be considered the insurer, guarantor or underwriter of the liability of the Self-Insured to coverage and Self-Insured will have final responsibility and liability for payment of claims in accordance with the provisions of the Program..

G. CONFIDENTIALITY.

The parties agree to keep all oral and written information confidential and, other than required to satisfy obligations under this Agreement, to refrain from releasing such information to any third party without the express written authorization of the other party, except to the extent such release may be required by law, regulation or court order and in which case prior notice of such release shall be given to the other party.

H. RIGHT TO AUDIT.

The Self-Insured shall have the right to review any open or closed claim files, billings, invoices, payment history or any other information relative to the Program and the services provided under this Agreement. Any such reviews shall be during normal business hours and upon reasonable advance notice to the Company.

I. RELATIONSHIP OF THE PARTIES.

In the performance of the work, duties and obligations of the parties to this Agreement, Company shall at all times be acting and performing as an independent contractor with

respect to Self-Insured. No relationship of employer and employee, or partners, agents, or joint ventures between Company and Self-Insured is created by this Agreement, and neither

party may therefore make any claims against the other party for employee benefits of any kind. In addition, neither party shall have any power or authority to act for or on behalf of, or to bind the other except as herein expressly granted, and no other or the grant nor denial of power or authority specifically mentioned herein shall imply greater power or authority.

J. MISCELLANEOUS PROVISIONS.

1. *Waiver.* Failure of either party to enforce at any time any provision of this Agreement or to exercise any of the rights granted in this Agreement shall not affect or impair the validity of any part of this Agreement or the right to require full performance at any time thereafter. Further, the waiver by either party of a breach of any such provision shall not be held to be a waiver of any subsequent breach thereof.
2. *Severability.* If, at any time, any part of this Agreement is found to be unenforceable, illegal, or contrary to public policy, then the remainder of the Agreement remains in full force and effect except for the unenforceable portion.
3. *Notices.* Any notices required by this Agreement shall be in writing and may be delivered personally or by registered mail, postage prepaid, and addressed to the respective parties at the last known address given by either party to the other.
4. *Applicable Law.* This Agreement shall be construed, enforced, and administered in accordance with the laws of the Commonwealth of Pennsylvania.
5. *Headings and Subheadings.* The headings and subheadings in this Agreement are inserted for the convenience of reference only and are to be ignored in any construction of the provisions thereof.
6. *Gender and Number.* Wherever applicable, the feminine or masculine pronoun as used herein shall also include the masculine and feminine, as the case may be, and the singular or the plural, and vice versa.
7. *Reference to Statutes and Regulations.* Reference in the Agreement to laws, statutes, and regulations shall include all applicable local ordinances, state or federal statutes and all applicable regulations, rulings, procedures, releases, and other procedures, releases and other position statements issued by any governmental agency.
8. *Entire Agreement.* This Agreement represents the entire and exclusive statement of the Agreement of the parties and no modification or amendment of this Agreement shall be valid unless made in writing and signed by both parties. Such modification or amendment shall be attached to and will become a part of this Agreement.
9. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be considered an original and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals on the date(s) indicated.

ATTEST:

Veronica Myerz

INSERVCO INSURANCE SERVICES, INC.

By: Michael Pierson

Name: Michael S. Pierson, AIC
Title: Regional Vice President

ATTEST:

Earl R. Gage

EARL R. GAGE
Clerk of the Board/Administrator

[SELF-INSURED]

By: Lee R. Ware

Name: LEE R. WARE
Title: Freeholder Director