

CHAPTER 15

GROUP SELF-INSURANCE

Authority

N.J.S.A. 17:1-8.1, 17:1-15e, 17:49A-1 et seq., 18A:18B-1 et seq., 34:15-77 et seq., and 40A:10-36 et seq.

Source and Effective Date

R.2005 d.112, effective March 10, 2005.
See: 36 N.J.R. 4625(a), 37 N.J.R. 1075(a).

Chapter Expiration Date

In accordance with N.J.S.A. 52:14B-5.1c, Chapter 15, Group Self-Insurance, expires on September 6, 2010. See: 42 N.J.R. 43(a).

Chapter Historical Note

Chapter 15, Group Self-Insurance, was adopted as R.1984 d.172, effective May 21, 1984. See: 16 N.J.R. 340(a), 16 N.J.R. 1273(a).

Subchapter 2, Joint Insurance Funds for Local Government Units, was adopted as R.1984 d.540, effective December 3, 1984. See: 16 N.J.R. 1164(a), 16 N.J.R. 3310(b).

Pursuant to Executive Order No. 66(1978), Chapter 15, Group Self-Insurance, was readopted as R.1989 d.585, effective October 26, 1989. See: 21 N.J.R. 1817(a), 21 N.J.R. 3668(a).

Subchapter 3, Joint Insurance Funds for Local Governmental Units Providing Group Health and Term Life Benefits, was adopted as R.1993 d.354, effective July 19, 1993. See: 25 N.J.R. 436(a), 25 N.J.R. 3220(a).

Pursuant to Executive Order No. 66(1978), Chapter 15, Group Self-Insurance, was readopted as R.1994 d.551, effective October 17, 1994. See: 26 N.J.R. 2518(a), 26 N.J.R. 3356(a), 26 N.J.R. 4407(b).

Subchapter 4, Joint Insurance Funds for School Boards Providing Property and Liability Coverages, was adopted as R.1996 d.277, effective June 17, 1996. See: 28 N.J.R. 765(a), 28 N.J.R. 3135(a).

Subchapter 5, Joint Insurance Funds for School Boards Providing Group Health and Term Life Benefits, was adopted as R.1996 d.278, effective June 17, 1996. See: 28 N.J.R. 779(a), 28 N.J.R. 3156(a).

Subchapter 6, Joint Insurance Funds for Nonprofit Corporations and Keys Amendment Facilities, was adopted as R.1997 d.151, effective April 7, 1997. See: 28 N.J.R. 4708(a), 29 N.J.R. 1326(a).

Pursuant to Executive Order No. 66(1978), Chapter 15, Group Self-Insurance, was readopted as R.1999 d.350, effective September 14, 1999. See: 31 N.J.R. 2125(b), 31 N.J.R. 3091(a).

Chapter 15, Group Self-Insurance, was readopted as R.2005 d.112, effective March 10, 2005. See: Source and Effective Date. See, also, section annotations.

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APPENDIX. CERTIFICATION OF JOINT INSURANCE FUND PROFESSIONALS

SUBCHAPTER 1. HOSPITAL WORKERS' COMPENSATION GROUP SELF-INSURANCE

Law Reviews and Journal Commentaries:

An Insurer's Duty to Act In Good Faith. Jeffrey A. Cohen, 192 N.J.L.J. 21 (1998).

“Joint insurance fund” or “fund” means a group established by two or more local units of government to create a self-insurance fund for the sole purpose of providing contributory or non-contributory group health insurance or group term life insurance to their employees or dependants and to any other person eligible for coverage by a member local unit pursuant to law, approved by the Department pursuant to N.J.S.A. 40A:10-36 et seq. and this subchapter.

“Joint insurance fund commissioners” means local unit representatives chosen to represent those units in the fund, as provided in N.J.S.A. 40A:10-36 et seq.

“Lead agency” means a member of the joint insurance fund responsible for the custody and maintenance of the assets of the fund and such other duties as may be designated by the joint insurance fund commissioners. The duties performed by a lead agency may include duties that may be performed by an administrator or servicing organization.

“Life insurance” means life insurance as defined pursuant to N.J.S.A. 17B:17-3.

“Local unit of government,” “local unit” or “member” means a county, municipality, county vocational school (pursuant to N.J.S.A. 18A:18B-8 and 40A:10-50), county college (pursuant to N.J.S.A. 18A-25.40 and 40A:10-51) or any contracting unit as defined in N.J.S.A. 40A:11-2.

“Member” means a local unit which is a member of a local unit joint insurance fund formed pursuant to this subchapter.

“Net current surplus” or “surplus” means the excess of the fund’s unencumbered assets over its reserves and liabilities.

“Producer” means any person engaged in the business of an insurance agent, insurance broker or insurance consultant as defined in N.J.S.A. 17:22A-1 et seq.

“Run-in liability” means liability for claims incurred but not reported by a prospective member in connection with the provision of health benefits during the period prior to joining the fund.

“Run-out liability” means liability for claims incurred but not reported by a former fund member during the period it was a member.

“Secretary” means the secretary of the fund commission elected by the commission pursuant to N.J.S.A. 40A:10-37.

“Servicing organization” or “program manager” means an individual, partnership, association or corporation, other than the administrator, that has contracted with the fund to provide, on the fund’s behalf, any functions as designated by the fund commissioners including, but not limited to, actuarial services, claims administration, cost containment services, legal services, auditing services, financial services, compila-

tion and maintenance of the fund’s underwriting file, coordination and preparation of plan documents, employee booklets and other documents, risk selection and pricing, stop-loss or reinsurance producer services which include producer negotiations on behalf of the fund for stop-loss or reinsurance from an insurer, member assessment and fee development, report preparation pursuant to N.J.S.A. 40A:10-36 et seq. or this subchapter, and such other duties as designated by the fund.

“Stop-loss insurance” or “reinsurance” means insurance, purchased from an insurer authorized or admitted in the State of New Jersey to transact life or health insurance, as applicable, covering losses in excess of an amount established between the joint insurance fund and the insurer up to the limits of coverage set forth in the insurance contract on a specific per occurrence, per individual or annual aggregate basis.

Amended by R.1996 d.535, effective November 18, 1996.

See: 28 N.J.R. 4036(a), 28 N.J.R. 4885(a).

Amended by R.1999 d.350, effective October 18, 1999.

See: 31 N.J.R. 2125(b), 31 N.J.R. 3091(a).

In “Life insurance”, changed N.J.S.A. reference.

11:15-3.3 Agreement to join joint insurance fund; duration

(a) Pursuant to N.J.S.A. 40A:10-36, the governing body of any local unit of government may by resolution agree to join together with any other local unit or units to establish a joint insurance fund as defined in this subchapter. The resolution shall provide for execution of a written agreement specifically conditioning membership on acceptance of the fund’s bylaws as approved and adopted pursuant to N.J.S.A. 40A:10-36 et seq. The agreement shall specify the extent of the local unit’s participation in the fund with respect to the types of insurance coverage to be provided by the fund and shall include the duration of fund membership, which in no event shall exceed three years, pursuant to N.J.S.A. 40A:11-15(6) and subject to N.J.A.C. 11:15-3.10. The agreement shall also specify that the fund members have never defaulted on claims if self-insured, and, if not self-insured, have not been cancelled for non-payment of insurance premiums for a period of at least two years prior to application.

(b) A joint insurance fund formed pursuant to N.J.S.A. 40A:10-36 et seq. and this subchapter shall have the power to insure, contract, or provide for any insurable interest of the member solely for benefits pursuant to contributory or non-contributory group health insurance or group term life insurance, or both, for employees or their dependents, or both, through self-insurance, the purchase of commercial insurance or reinsurance, or any combination thereof. The maximum risk to be retained for group term life insurance by a joint insurance fund on a self insured basis shall not exceed a face amount of \$5,000 per covered employee or dependent or such greater amount as approved by the

Commissioners of the Departments of Banking and Insurance and Community Affairs.

(c) Members may renew their participation by the execution of a new agreement to rejoin the joint insurance fund. If the existing resolution did not specify the duration of fund membership, the member shall affirm the new membership agreement by resolution. If the existing resolution specified the duration for fund membership, the membership shall either amend the existing resolution, or adopt a new resolution, as appropriate, to authorize the continued participation in the joint insurance prior to the execution of the new membership agreement. In lieu of filing copies of the new agreement and new indemnity and trust agreement referred to in N.J.A.C. 11:15-3.6(b)6 for each member's renewal of membership, the fund shall file a notice with the Department which sets forth the members that have renewed membership and the respective durations of such membership, as well as the members that have not rejoined.

Amended by R.1996 d.535, effective November 18, 1996.

See: 28 N.J.R. 4036(a), 28 N.J.R. 4885(a).

Amended by R.2005 d.112, effective April 4, 2005.

See: 36 N.J.R. 4625(a), 37 N.J.R. 1075(a).

In (a), deleted "or ordinance, as appropriate," preceding "agree to join together" and deleted "or ordinance" preceding "shall provide"; added a new (b); recodified former (b) as (c) and deleted "ordinance or" preceding "resolution" throughout.

11:15-3.4 General requirements

(a) Every joint insurance fund shall be subject to and operate in compliance with the provisions of the "Local Fiscal Affairs Law" (N.J.S.A. 40A:5-1 et seq.), the "Local Public Contracts Law" (N.J.S.A. 40A:11-1 et seq.), regulations (N.J.A.C. 5:34), and the various statutes authorizing the investment of public funds, including but not limited to, N.J.S.A. 40A:10-10(b), 17:12B-241 and 17:16I-1 et seq.

(b) All monies, assessments, funds and other assets of a joint insurance fund shall be under the exclusive control of its board of insurance fund commissioners or executive committee, as applicable.

(c) A joint insurance fund shall be considered a local unit for purposes of the "Local Public Contracts Law" (N.J.S.A. 40A:11-1 et seq.) and shall be governed by the provisions of that law in the purchase of any goods, materials, supplies and services.

(d) Each joint insurance fund shall utilize as its fiscal year, the calendar year January 1 through December 31.

(e) Each joint insurance fund shall adopt a resolution designating a public depository or depositories for its monies pursuant to N.J.S.A. 40A:5-14. The resolution shall also designate a person to be custodian of funds for the joint insurance fund and shall authorize the custodian to invest temporarily free balances of any claim/trust or administrative accounts periodically as authorized by law. The custodian of funds shall possess a certified municipal finance officer certificate issued pursuant to N.J.S.A. 40A:9-140.2. The custodian shall report to the fund commissioners at least quarterly on investment and interest income.

(f) The joint insurance fund commissioners shall annually prepare, not later than 60 days prior to the beginning of the fund's subsequent fiscal year, the proposed budget for that subsequent year. The budget shall identify the proposed items and amounts of expenditure for its operation in the aggregate and allocated by member; the anticipated amounts and sources of assessments and other income to be received during the fiscal year; and the status of the self-insurance or loss retention trust accounts maintained by the joint insurance fund. The budget shall be prepared on a basis that does not recognize investment income or discounting of claim reserves, but recognizes all anticipated or forecasted losses and administrative expenses associated with that fiscal year.

1. A copy of the fund's proposed budget or any amendments thereto shall be made available to each member of the joint insurance fund at least two weeks prior to the time scheduled for its adoption. No budget or amendment shall be adopted until a public hearing has been held in accordance with N.J.S.A. 40A:4-1 et seq. giving all members of the joint insurance fund the opportunity to present comments or objections.

2. Not later than the end of the fund's current fiscal year, the joint insurance fund commissioners, or the executive committee thereof, shall adopt by majority vote the budget for the fund's operations for the subsequent fiscal year.

3. A copy of each adopted budget shall be filed with the governing body of each participating local unit, the Commissioner and the Commissioner of the Department of Community Affairs within 30 days of its adoption, including a certification by an actuary that the budget is actuarially sound with respect to funding for the claim or loss retention fund accounts.

4. An adopted budget may be amended by majority vote of the membership of the joint insurance fund commissioners, or executive committee thereof.

5. A copy of any amendment to a fund budget shall be filed quarterly with the governing body of each participating local unit.

6. A copy of any amendment to a fund budget shall be filed with the Commissioner and the Commissioner of the Department of Community Affairs within 30 days of the adoption of any budget amendment which either singly or cumulatively with other adopted budget amendments changes the total budget five percent from the original budget or the latest filed amended budget.

(g) All books, records, files, documents and equipment of the joint insurance fund are the property of the fund and, except as provided at N.J.A.C. 11:15-3.21(e), shall be retained by the fund administrator or program manager at the discretion of the fund commissioners. All books, records, files and documents of the fund shall be retained for not less than five years.