

## METROPOLITAN HEALTH INSURANCE FUND

### INDEMNITY AND TRUST AGREEMENT

THIS AGREEMENT made this \_\_\_\_ day of \_\_\_\_\_ 2023, in the County of Essex, State of New Jersey, By and Between the **Metropolitan Health Insurance Fund** referred to as "FUND" and the governing body of the **City of Orange Township** a duly constituted LOCAL UNIT OF GOVERNMENT, hereinafter referred to as "LOCAL UNIT".

#### WITNESSETH:

WHEREAS, the governing bodies of various local units of government, as defined in N.J.A.C. 11:15-3.2, have collectively formed a Joint Insurance Fund as such an entity is authorized and described in N.J.S.A. 40A:10-36 et. seq. and the administrative regulations promulgated pursuant thereto; and

WHEREAS, the LOCAL UNIT has agreed to become a member of the FUND in accordance with and to the extent provided for in the Bylaws of the FUND and in consideration of such obligations and benefits to be shared by the membership of the FUND;

NOW THEREFORE, it is agreed as follows:

1. The LOCAL UNIT accepts the FUND's Bylaws as approved and adopted and agrees to be bound by and to comply with each and every provision of said Bylaws and the pertinent statutes and administrative regulations pertaining to same.

2. The LOCAL UNIT agrees to participate in the FUND with respect to health insurance, as defined in N.J.S.A. 17B:17-4, and as authorized in the LOCAL UNIT's resolution to join.

3. The LOCAL UNIT agrees to become a member of the FUND and to participate in the health insurance coverages offered for an initial period, (subject to early release or termination pursuant to the Bylaws), such membership to commence on **January 1, 2024** and ending on **December 31, 2026** at 12:01 AM provided, however, that the LOCAL UNIT may withdraw at any time upon 90 day written notice to the FUND.

4. The LOCAL UNIT certifies that it has never defaulted on payment of any claims if self-insured and has not been cancelled for non-payment of insurance premiums for a period of at least two (2) years prior to the date of this Agreement.

5. In consideration of membership in the FUND, the LOCAL UNIT agrees that it shall jointly and severally assume and discharge the liability of each and every member of the FUND, for the periods during which the member is receiving coverage, all of whom as a condition of membership in the FUND shall execute an Indemnity and Trust Agreement similar to this Agreement and by execution hereto, the full faith and credit of the LOCAL UNIT is pledged to the punctual payments of any sums which shall become due to the FUND in accordance with the Bylaws thereof, this Agreement or any applicable Statute. However, nothing herein shall be construed as an obligation of the LOCAL UNIT for claims and expenses that are not covered by the FUND, or for that portion of any claim or liability within the LOCAL UNIT retained limit or in an amount which exceeds the FUND's limit of coverage.



6. If the FUND in the enforcement of any part of this Agreement shall incur necessary expenses or become obligated to pay attorney's fees and/or court costs, the LOCAL UNIT agrees to reimburse the FUND for all such reasonable expenses, fees, and costs on demand.

7. The LOCAL UNIT and the FUND agree that the FUND shall hold all moneys in excess of the LOCAL UNIT's retained loss fund paid by the LOCAL UNIT to the FUND as fiduciaries for the benefit of FUND claimants all in accordance with N.J.A.C. 11:15-3 et. seq.

8. The FUND shall establish and maintain Claims Trust Accounts for the payment of health insurance claims in accordance with N.J.S.A. 40A:10-36 et. seq., N.J.S.A. 40A:5-1 and such other statutes and regulations as may be applicable. More specifically, the aforementioned Trust Accounts shall be utilized solely for the payment of claims, allocated claim expense and stop loss insurance or reinsurance premiums for each risk or liability as follows:

- a) Employer contributions to group health insurance
- b) Employee contributions to contributory group health insurance
- c) Employer contributions to contingency account
- d) Employee contributions to contingency account
- e) Other trust accounts as required by the Commissioner of Insurance

9. Notwithstanding 8 above, to the contrary, the FUND shall not be required to establish separate trust accounts for employee contributions provided the FUND provides a plan in its Bylaws for the recording and accounting of employee contributions of each member.

10. Each LOCAL UNIT of government who shall become a member of the FUND shall be obligated to execute an Indemnity and Trust Agreement similar to this Agreement.

ATTEST

CITY OF ORANGE TOWNSHIP

\_\_\_\_\_

BY: \_\_\_\_\_

ATTEST

METROPOLITAN HEALTH INSURANCE FUND

\_\_\_\_\_

BY: \_\_\_\_\_



**METROPOLITAN HEALTH INSURANCE FUND**

**BYLAWS**

**November 3, 2023**

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**METROPOLITAN HEALTH INSURANCE FUND**  
9 Campus Drive, Suite 216  
Parsippany, NJ 07054

**BYLAWS**

November 3, 2023

**WHEREAS**, N.J.S.A. 40A: 10-36 et. seq. (the "Statute") permits joint insurance funds to provide group health and term life benefits to member local units;

**WHEREAS**, the METROPOLITAN HEALTH INSURANCE FUND (the "FUND") has operated as a subgroup of the Bergen Municipal Employee Benefits Fund since October 1, 2016 and is now filing for authority to act as an independent joint health insurance Fund pursuant to said Statute, and

**WHEREAS**, pursuant to said Statute and the regulations promulgated by the Department of Banking and Insurance pursuant thereto the Fund is required to adopt bylaws setting forth the procedures for the organization and administration of the Fund.

**NOW THEREFORE**, the membership of the Fund hereby adopts the following bylaws:

**Article I**  
**DEFINITIONS**

For the purposes of these Bylaws, unless the context requires otherwise, the following words and phrases shall have the meanings indicated:

**"ACTUARY"** in the case of health insurance means a fellow in good standing of the Society of Actuaries or the Casualty Actuarial Society with at least three (3) years recent experience in health insurance pricing and reserving. Actuary in the case of life insurance means a fellow in good standing of the Society of Actuaries with at least three (3) years recent experience in life insurance pricing and reserving.

**"ADMINISTRATOR"** or **"EXECUTIVE DIRECTOR"** means a person, partnership, corporation or other legal entity engaged by the Fund or its Executive Committee to act as Executive Director, to carry out the policies established by the Fund or its Executive Committee and to otherwise administer and provide day-to-day management of the Fund.

**"RISK MANAGEMENT CONSULTANT"** or **"RMC"** means a New Jersey licensed health insurance agent sub-contracted by the Fund Coordinator, to provide member entities with advice and consultancy services related to such member entity health insurance benefits and services. The Fund's Executive Committee may elect to establish criteria and professional requirements for the selection and approval of RMCs who interact with the Fund and its professionals.

**"COMMISSIONER OF THE DEPARTMENT OF BANKING AND INSURANCE"** means the Commissioner of the New Jersey Department of Banking and Insurance.

**"DEPARTMENT"** means the New Jersey Department of Banking and Insurance.

**"FUND"** means the METROPOLITAN HEALTH INSURANCE FUND.

**"FUND COORDINATOR"** means an individual, partnership, association or corporation, other than the Executive Director, that has contracted with the Fund to provide, on the Fund's behalf, those functions designated by the Fund Commissioners to include day to day client service; claims resolution; collective bargaining assistance with individual entities; assistance with member communication and education; new applicant data collection and implementation assistance with new entrants to the Fund; advice and consultancy services related to such member entity's health insurance benefits; and such other duties as shall be designated by the Fund's Commissioners.

**"FUND YEAR"** means the Fund's fiscal year of January 1st through December 31st.

**"HEALTH INSURANCE"** means health insurance as defined pursuant to N.J.S.A. 17B: 17-4; service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in the State of New Jersey, including basic health care services and/or supplemental health care services provided by health maintenance organizations, or dental care services provided by dental plan organizations and dental service corporations.

**"INDEMNITY AND TRUST AGREEMENT"** means a written contract signed and duly adopted by members of the Fund whereby each such member agrees to jointly and severally assume and discharge the liabilities of each and every party to the agreement arising from their participation in the Fund. The agreement shall specify the extent of the member's participation in the Fund with respect to the types of coverage to be provided by the Fund and shall include the duration of Fund membership which shall not exceed three years pursuant to N.J.S.A. 40A:11-15 (6). The agreement shall also specify that the member has never defaulted on claims if self-insured and has not been canceled for non-payment of insurance premiums for a period of at least two years prior to submitting an application to join the Fund.

**"LIFE INSURANCE"** means life insurance as defined pursuant to N.J.S.A. 17B:117-3

**"MEMBER"** means a local unit that has applied for and been approved for membership in the Fund in accordance with Article II hereof and whose term of membership has not expired or been terminated.

**"NET CURRENT SURPLUS"** or **"SURPLUS"** means that amount of monies in a trust account that is in excess of all costs, earned investment income, refunds, incurred losses and loss adjustment expenses and incurred but not reported reserves including the associated loss adjustment expenses attributed to the Fund net of any recoverable per occurrence or aggregate excess insurance or reinsurance for a particular year.

**"SERVICING ORGANIZATION"** also referred to as **"SERVICE PROVIDER"** means an individual, partnership, association or corporation, other than the Executive Director, 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, sales or new member development, claims administration, cost containment services, legal services, auditing services, financial services, compilation 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 N.J.A.C. 11:15-3.1 et seq. and such other duties as designated by the Fund.

**"STOP-LOSS INSURANCE"** or **"REINSURANCE"** means insurance, purchased from an insurer, joint health insurance fund providing such coverage, or other entity authorized or admitted to provide such coverage in the State of New Jersey, covering losses in excess of an amount established between the 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.

## **Article II MEMBERSHIP**

### **A. Membership Applications – Initial/Organizing Members**

1. Pursuant to N.J.S.A. 40A: 10-36, the governing body of a qualified local unit shall by resolution agree to join the Fund. The resolution shall provide for execution of a written agreement specifically providing for acceptance of the Fund's Bylaws as approved and adopted pursuant to N.J.S.A. 40A: 10-36 et seq. The resolution shall also provide for the execution of an Indemnity and Trust agreement as defined in Article I and shall specify the term of local unit's membership in the Fund and the types of coverage to be provided by the Fund.
2. Local units are also required to specify by written resolution, that the local unit has and will pay all assessments levied by and due to any other joint insurance fund, including supplemental assessments levied after leaving a fund. To the extent a local unit fails or has failed to pay any assessments levied by and due to any other joint insurance fund established pursuant to NJSA 40A:10-36, the local unit will not be permitted to join the fund or maintain/renew its membership in the fund until it satisfies its obligations to such other fund(s).

### **B. Membership Applications – Subsequent Members**

1. Any qualified local unit seeking membership shall submit an application to the Fund on a form acceptable to the Commissioner. The application shall include an executed Indemnity and Trust Agreement and other documentation required under Section A. above.
2. An application may be approved by a two-thirds vote of the full authorized membership of the Executive Committee if the applicant's claims experience, plan design and personnel practices are compatible with the Fund's objectives and the applicant meets other criteria established by the Fund which may include, but are not limited to, commitment to the joint insurance fund concept, impact on the Fund's underwriting practices and such other factors as may be determined to be relevant to the sound fiscal operation of the Fund.
3. Within 15 days of its approval by the Fund, the executed Indemnity and Trust Agreement and the resolution required under Section A above shall be concurrently filed with the Department of Banking and Insurance and the Department of Community Affairs. The filing shall be accompanied by a revised budget with assessment detail if the addition of the new member changes the total budget five percent from the original budget or the latest filed amended budget. The filing shall also include the name of the new member's insurance fund commissioner and alternates in accordance with N.J.A.C. 11:15-3.6(e), amendments to the Fund's Bylaws and Plan of Risk Management as may be necessary, and any other information the Commissioner may deem necessary.
4. If a non-member local unit is not approved for membership, the Fund shall set forth in writing the reasons for disapproval and send the reasons for disapproval to the non-member local unit within thirty (30) days of non-approval. The Fund shall retain a copy of all disapprovals for five (5) years.

### **C. Membership Renewals**



1. Members may renew their participation by execution of a new agreement to join the Fund adopted in accordance with the procedures set forth in N.J.A.C. 11:15-3.3(b) affirmed by resolution as provided for in Section A, above, ninety (90) days prior to the expiration of their current membership term.
2. The Executive Committee must act on any renewal application no later than forty-five (45) days prior to the expiration of the then existing membership term. In the event the Executive Committee does not otherwise act on the renewal application within said forty-five (45) day period, the renewal application shall be deemed to be automatically approved.
3. A renewal application may be rejected by a majority of the full-authorized membership of the Executive Committee based upon nonpayment of assessments, noncompliance with the Fund's risk management plan or underwriting standards or for other reasons subject to the prior approval of the Commissioner.
4. If a member's renewal application is rejected, the Fund shall comply with subsection D.2, 3 and 4 below.
5. Non-renewal of a member does not relieve the member of responsibility for claims incurred by the Fund during its period of membership.

**D. Termination and/or Withdrawal of Fund Members**

1. A participating local unit may be terminated before the end of its membership by a two-thirds (2/3) vote of the Executive Committee. Termination may occur for non-payment of assessments or continued non-compliance, after written notice to comply, with these Bylaws, noncompliance with the Fund's risk management plan or underwriting standards or for other reasons subject to the prior approval of the Commissioner as to reasons for termination. However, such participating local unit shall not be deemed terminated until:
  - a. The Fund gives, by registered or certified mail, return receipt requested, thirty (30) days prior written notice to the member of the Fund's intention to terminate the member, which notice shall state the reasons for termination.
  - b. Like notice shall be filed with the Department and Department of Community Affairs, together with a certified statement that the notice provided for above has been given; and
  - c. Thirty (30) days has elapsed after the filing required by "b" above.
2. A participating local unit may withdraw from the Fund before the end of its membership term by sending written notice of its intent to withdraw to the Fund accompanied by a certified copy of the resolution adopted by the local unit's governing body authorizing the withdrawal. The Fund shall adopt a standard withdrawal resolution, satisfactory to the Commissioner, and the local unit shall use this standard withdrawal resolution. Written notice of the intent to withdraw must be received by the Fund not less than ninety (90) days prior to the effective date of the withdrawal.
3. A member of the Fund that does not desire to continue as a member after the expiration of its membership term shall give written notice of its intent not to renew its membership not less than ninety (90) days before the expiration of the then current term. The Fund shall immediately notify the Department and the Department of Community Affairs that the member has given notice of its intent to withdraw from the Fund.

4. A member that has been terminated or does not continue as a member of the Fund shall nevertheless share in any surplus in the appropriate trust accounts for that Fund Year pro rata according to its participation and remain jointly and severally liable for claims incurred by the Fund and its members during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments.
  5. Prior to the conclusion of the Fund's current fiscal year, the Fund shall provide written notification to a member that has been terminated by or withdrawn from the Fund, of the estimated surplus or estimated supplemental assessment for which the member may share or be liable pursuant to 4 above.
  6. The Fund shall immediately notify the Department and the Department of Community Affairs if the termination or withdrawal of a member causes the Fund to fail to meet any of the requirements of N.J.S.A. 40A: 10-36 et seq. or any other law or regulation of the State of New Jersey. Within fifteen (15) days of such notice, the Fund shall advise the Department and the Department of Community Affairs of its plan to bring the Fund into compliance.
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7. A Fund member is not relieved of the obligation to pay claims incurred during its period of membership except through payment by the Fund (of claims not directly attributable to the member) or the member of those claims.
  8. The Fund shall only cover claims incurred by a member local unit's active employees, retirees, and individuals covered under COBRA and conversion options during the period the local unit was a member of the Fund.

### Article III ORGANIZATION

#### A. Commissioners

1. Appointment:
  - a. Commissioners: In the manner generally prescribed by law, each participating local unit shall appoint one (1) Commissioner to represent the local unit to the Fund. The person appointed shall be either a member of its governing body or one of its employees.
  - b. Alternate Commissioner: Each participating local unit may also appoint one (1) Alternate Commissioner who shall be a member of the governing body or employee of the local unit and shall serve as the local unit's Fund Commissioner in the absence of the regular Fund Commissioner.
  - c. Special Commissioner: In the event that the number of participating local units is an even number, one (1) Special Commissioner and an alternate to the Special Commissioner shall be appointed annually by a participating local unit on a rotating basis determined alphabetically.

The local unit's privilege to appoint the Special Commissioner shall remain with that local unit for one (1) entire Fund Year and the subsequent admission to the Fund of a local unit with a preceding alphabetical prefix shall not deprive any local unit already a member of the Fund of its prerogative to appoint a Special Commissioner during a current local unit Fund Year.

2. **Terms of Office and Vacancy:**

- a. All terms of office shall expire on January 1st or, if later, the date on which a successor is duly appointed and qualified.
- b. Commissioners, other than the Special Commissioner, who are members of the appointing member's governing body shall hold office for two (2) years or for the remainder of their terms as elected officials, whichever shall be less. Commissioners who are employees of the member local unit shall serve at the pleasure of the appointing authority and can be removed by the member at any time without cause. The Special Commissioner, if any, shall serve until January 1st of the year following appointment provided, however, that if the Special Commissioner is an employee of the appointing member, he or she can be removed by the appointing local unit at any time without cause.
- c. The unexpired term of a Commissioner shall be filled by the appointing local unit in the manner generally prescribed by law or as provided in its bylaws.
- d. Any Fund Commissioner can be removed from office for cause by a two-thirds (2/3) vote of the full membership of the Fund Commissioners or, in the event there is an Executive Committee, the vote of five of the seven members of the Executive Committee. Upon such a vote it shall be incumbent upon the member local unit to replace the Commissioner.

3. **Responsibilities:**

- a. The Commissioners are hereby authorized and empowered to operate the Fund in accordance with these Bylaws and appropriate state laws and regulations.
- b. Each Commissioner shall have one vote, however, that the Special Commissioner, if any, shall only vote in the event of a tie.
- c. Each Commissioner shall be responsible to monitor all Fund activities through attendance at meetings and/or examination of meeting minutes and reports.
- d. The Fund Commissioners, as the need arises, may amend the bylaws and the risk management plan of the Fund pursuant to N.J.S.A. 40A:10-36, et seq.
- e. The Fund Commissioners may authorize the Fund to become a member of other joint insurance Funds organized pursuant to N.J.S.A. 40A:10-36, et seq. including, but not limited to the Municipal Reinsurance Health Insurance Fund, for the purpose of providing excess insurance or reinsurance and for group purchasing to achieve economies of scale, and may authorize the Fund Chairman to execute such documents including but not limited to an Indemnity and Trust Agreement as required to secure such membership(s).
- f. The Fund Commissioners shall do all other things necessary and proper to carry out the purposes for which the Fund is established.

B. **Officers**

1. As soon as possible after the beginning of each year, the Commissioners shall meet to elect the officers of the Fund from their own membership. Fund officers shall serve until January 1st of the following year, or, if later, the date on which a successor is duly elected and qualified.
  - a. **Chairperson:** The Chairperson shall preside at all meetings of the Fund Commissioners and Executive Committee and shall perform such other duties provided for in these Bylaws and the laws and regulations of the State of New Jersey.
  - b. **Secretary:** The Secretary shall serve as Acting Chairperson in the absence of the Chairperson and shall perform such other duties as provided for in these bylaws and the laws and regulations of the State of New Jersey.
2. In the event of a vacancy in any of the officer positions caused by other than the expiration of the term of office, the Executive Committee shall by majority vote fill the vacancy for the unexpired term. In the event of a vacancy of both the Chairperson and Secretary, the longest serving member of the Executive Committee, or otherwise the longest serving Fund Commissioner shall serve as Acting Chairperson until the vacancies are filled.
3. Any officer can be removed with cause at any time by a two-thirds (2/3) vote of the full membership of the Fund Commissioners. In this event, the full membership of the Fund Commissioners shall by majority vote elect an individual to fill the vacancy for the unexpired term.

#### C. Executive Committee

1. As soon as possible after the beginning of the year, the Fund Commissioners shall meet and elect Fund Commissioners to serve on the Executive Committee along with the Chairperson and Secretary. The total number of Commissioners on the Executive Committee shall not exceed number of Commissioners plus one if the Fund membership is an even number. If the total number of Fund Members exceeds seven (7), the Fund Commissioners shall elect an Executive Committee comprised of five (5) Commissioners to serve with the Chairperson and the Secretary for a total of seven (7) members on the Executive Committee. During their term of office, members of the Executive Committee shall exercise the full power and authority of the Fund Commissioners except as otherwise provided in these bylaws.
2. The Executive Committee shall serve co-terminously with their underlying office until January 1st of the following year, or, if later, the date on which their successors are duly elected and qualified.
3. The Fund Commissioners shall have the authority to elect up to five (5) Commissioners to serve as alternate members of the Executive Committee. The alternate, or alternates, serving in the absence of a member, or members, of the Executive Committee shall exercise the full power and authority of that absent member or members.
  - a. Alternates shall serve in established priority order, designated as alternate #1, alternate #2, alternate #3, alternate #4 and so on. Alternate #1 shall serve in the absence of one member of the Executive Committee or in the absence of alternate #1, alternate #2 may serve and so on through alternate #5. One or more alternates starting with alternates #1 and #2 shall serve in the absence of two or more Executive Committee members. Alternates may attend Executive Committee meetings but shall not be entitled to vote at such meeting unless serving in the absence of a member of the Executive Committee. At the beginning of each Fund Year the Executive Committee shall fix the number of

alternates that shall be elected and serve for that Fund Year which shall be not less than two (2) or more than seven (5).

4. In the event of a vacancy on the Executive Committee caused by a reason other than the expiration of the term of office, the Executive Committee shall by a majority vote fill the vacancy for the unexpired term. In the event the Executive Committee fails to fill the vacancy, the Fund Commissioners shall fill the vacancy
5. The Executive Committee shall oversee the Fund Professionals and Servicing Organizations and the operation of the Fund to assure compliance with these Bylaws and applicable rules and regulations.
  - a. The Executive Committee through the Executive Director of the Fund shall exercise day to day management and supervision of the Fund and direct and oversee the performance of the Servicing Organizations in accordance with the terms of their contracts.
- ~~6. Any member of the Executive Committee can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Fund Commissioners. In the event of the removal of a member of the Executive Committee, the Fund Commissioners shall elect a replacement member to the Executive Committee which may be one of the Alternate Executive Committee members.~~
7. The members of the Executive Committee may elect to pay themselves a fee for attending Executive Committee meetings in an amount not to exceed that amount authorized by applicable State law.

#### D. Fund Professionals

As soon as possible after the beginning of each year, the Executive Committee shall meet and select persons to serve in the following professional positions. No professional nor any employee, officer or director, or beneficial owner thereof, shall be a Commissioner of the Fund. All professionals shall be retained pursuant to the "Local Public Contracts Law."

1. **Treasurer:** The Treasurer shall be a Certified Municipal Finance Officer and a Certified Public Accountant and shall have the following duties and responsibilities:
  - a. The Treasurer shall be the custodian of the Fund's assets and shall maintain the various trust funds.
  - b. The Treasurer shall approve all receipts, payments and financial records.
  - c. The Treasurer shall prepare the Fund's cash management plan and shall invest all balances.
  - d. The Treasurer shall ascertain the availability of sufficient unencumbered funds in any account to fully pay all charges or commitments prior to any payment or commitment.
  - e. The Treasurer shall perform such other duties as specified by the Executive Committee in its manual of operations and to discharge the duties of the office as set forth in N.J.S.A. 40A: 10-36 et seq. and N.J.A.C. 11:15-3.1 et seq.
  - f. The Treasurer shall be covered by a fidelity bond protecting the Fund's assets in a form and amount to be determined annually by the Fund. Said bond shall be paid by the Fund.

2. Executive Director:

- a. The Executive Director shall serve as Administrator of the Fund and shall be experienced in risk management matters and self-funded entities, and shall have at least ten (10) years of experience in the management and operation of health joint insurance funds.
- b. The Executive Director shall have the following duties and responsibilities:
  - 1) The Executive Director shall carry out the policies established by the Fund, shall serve as the day to day chief operating officer of the Fund and otherwise administer and provide for day-to-day management of the Fund.
    - i. Prepare for approval of the Executive Committee and implement the Fund's operations manual and policy & procedures manual.
    - ii. Prepare the Fund's budget, compile and bill the monthly assessments.
    - iii. Maintain the Fund's underwriting files including census data, prepare new member submissions for review by the Executive Committee, and supply underwriting data to other Fund professionals as needed.
    - iv. Maintain the Fund's general ledger, accounts payable and accounts receivable functions.
    - v. Coordinate the Fund's meeting agendas, minutes, elections, contracts as well as maintain the Fund's official records and office.
    - vi. Prepare, in conjunction with the Fund attorney, all filings required by state regulators.
    - vii. Attend all meetings of the Fund.
    - viii. Provide for automated benefits enrollment and eligibility administration for Fund Members and their participating employees.
    - ix. Produce the monthly premium bills for all Fund Members.
    - x. Manage and administer all aspects of COBRA and Retiree billing administration.
    - xi. Issue HIPAA certificates of Credible Coverage to former Fund health plan participants.
    - xii. Manage day to day transactional services related to enrollment services.
    - xiii. Handle and resolve all day to day claim and service inquiries with the various contracted third party claim administrator and insurers.
    - xiv. Act as primary liaison and coordinator between the Fund and all Service Providers contracted by the Fund to provide services in the delivery of health and medical benefits provided through the Fund.

- xv. Manage, in conjunction with the Fund attorney, the contracting process between all Service Providers and the Fund including all contracting, negotiation and related functions.
- xvi. Manage and oversee the interaction and contracting between the Fund and the Municipal Reinsurance Health Insurance Fund through which the Fund shall contract for re-insurance purposes.
- xvii. Manage and administer the initial development and ongoing maintenance of member benefit booklets / plan documents.
- xviii. Manage and administer the claims data management process, including data warehousing and claim reporting functions.
- xix. Issue performance reports and results from time to time as it relates to Service Provider performance.
- xx. Manage, direct and oversee all aspects of the new client application screening, review and completion process, including actuarial interface.
- xxi. Manage, direct and oversee all aspects of the new client on boarding and implementation process.
- xxii. In cooperation with the Fund attorney, interface with New Jersey Department of Banking and Insurance officials and represent the Fund on all regulatory matters.
- xxiii. Assume overall executive responsibility for the operations of the Fund except that the Executive Director shall not be responsible for the errors and omissions of any other Servicing Organization with respect to carrying out the directives of the Fund, their Service Provider Contract, or the applicable statutes and regulations as to the form and timeliness of said undertakings.
- xxiv. Perform such other duties specified by the Fund in its manual of operations pertaining to the Executive Director.
- xxv. Act as program design consultant and twice per year prepare a report to the FUND concerning overall trends and developments in employee benefits, along with a statistical analysis of the FUND's claims data to identify trends and potential cost containment strategies.
- xxvi. Meet with and advise various subcommittees established by the FUND for purposes of plan design and cost containment and prepare written reports concerning the deliberation of these subcommittees.
- xxvii. Prepare written specifications for review by the FUND for HMO's, PPO'S, conversion benefits, COBRA, TPA's, managed care and cost containment providers, reinsurance, claim auditors, technical writers and, at the request of the FUND, secure these services and/or reinsurance in compliance with the "Local Public Contracts Law."

xxiii. Twice a year, prepare a written report to the FUND concerning the compliance of the various Service Providers with respect to the written specifications provided, however, that this evaluation is not intended to be in the scope of an audit and shall not include financial related reviews or evaluate the accuracy of claim payments.

xxix. Resolve coverage, claims and service questions for employees and bargaining units. A complaint log shall be maintained and reviewed each month along with the complaint log prepared by the TPA and the TPA's compliance with the disputed claims procedure. A written recommendation to the FUND on disputed claims shall be provided, which are referred to the FUND for decision.

(b) Coordinate the preparation of all plan documents, employee booklets, I.D. cards and other employee communications as well as be available for meetings with member entities to explain benefit issues as requested.

c) The Executive Director shall be bonded in a form and amount acceptable to the Commissioner. The Executive Director shall also be covered by Errors and Omissions insurance as provided by N.J.A.C. 11:15 3.6(e)7 and/or supplements or amendments pertaining thereto. Said coverage is to be paid for by the Fund.

d) The Executive Director shall also serve as the Fund's Service Agent, to receive service of process on behalf of the Fund.

3. Fund Coordinator:

a. The Fund Coordinator shall be experienced in health insurance matters and shall provide field services to the member board of educations including:

i. Identify Public Entities which may qualify for membership, be available to discuss the FUND with potential members, assist in the preparation of applications, review the new member submissions prepared by the Administrator and coordinate the filed level implementation of the program in the event entity is accepted for membership by the Executive Committee.

ii. Provide member entities with advice and consultancy services related to such member entity's health insurance benefits and services

iii. Coordinate and, as appropriate, sub-contract with Risk Management Consultants on field services for local member entities. All such sub-contracts shall comply with standards established by the FUND and shall be filed with the FUND prior to payment for such services.

iv. Attend all meetings of the FUND.

v. Perform such other duties as may be reasonably requested by the FUND.



b. The Fund Coordinator shall be bonded in a form and amount acceptable to the Executive Committee. The Fund Coordinator shall be covered by Errors & Omissions insurance.

3. Auditor:

The Auditor shall be an independent certified public accountant (CPA) or a registered municipal accountant (RMA). The Auditor shall conduct the annual audit of the Fund in accordance with GAAP, GASB, N.J.S.A. 40A: 10-46 and N.J.A.C. 11:15-3.24 and shall perform such other duties as provided by the Fund, these Bylaws and the laws and regulations of the State of New Jersey.

4. Attorney: The Attorney shall have the following responsibilities:

a. The Attorney shall advise the Fund on legal and regulatory matters and the appropriateness of claim settlements recommended by the Claims Administrator.

b. The Attorney shall be available to assist the member local units through their attorneys in negotiation with bargaining units concerning benefit plan designs, coverage, etc.

c. The Attorney shall advise the Fund on the selection of outside counsel to represent the Fund when appropriate.

d. The Attorney shall perform such other duties as provided for by the Fund, these Bylaws and the laws and regulations of the state of New Jersey including the representation of the Fund in legal proceedings where applicable. The Attorney shall be licensed to practice law in the State of New Jersey.

5. Actuary:

The Actuary shall certify the actuarial soundness of the Fund and shall report to the Fund Commissioners/Executive Committee in a manner and at such times established by them and shall provide such actuarial reports as required by the Department. The Actuary shall certify loss reserves, reserves for "Incurred But Not Reported" (IBNR) losses and unearned assessments and shall comment on the adequacy of the budget.

6. All Fund professionals shall be retained on a contractual basis, which shall be approved by the Fund Commissioners and submitted to the Commissioner and the Commissioner of Community Affairs.

7. Fund professionals shall be compensated for their services pursuant to written fee guidelines submitted annually and approved by a majority of the Fund Commissioners. The written fee schedule shall be part of the official contract.

E. Indemnification of Officers and Employees

1. The Executive Director and Third Party Claims Administrator and such others as required by regulation to do so shall provide Errors & Omissions coverage in a form satisfactory to the Fund and the Commissioner.

2. The Executive Committee, in its discretion may, but shall not be required to, have the Auditor, Treasurer, Fund Attorney or Actuary or other Servicing Organization produce evidence of Errors and Omissions coverage, and such other coverage as they deem advisable, as a condition of their

respective contacts.

3. Except to the extent covered by Errors and Omissions insurance as may be required, as set forth above, the Fund shall indemnify any past, present or future Fund Commissioners, and may indemnify such other officials, professionals or other Service Providers as the Executive Committee determines, for claims arising from an act or omission of such Fund Commissioner, official or employee within the scope of the performance of such individual's duties as Fund Commissioner, official or employee. Such indemnification shall include the reasonable costs and expenses incurred in defending such claims. Nothing contained herein shall require the Fund to pay punitive damages or exemplary damages arising from the commission of a crime by such an individual and the Fund shall not be required to provide for the defense or indemnification of such an individual when the act or omission which caused the injury was the result of actual fraud, actual malice, gross negligence or willful misconduct of such individual, or in the event of a claim against such an individual by the State of New Jersey or if such Fund Commissioner, official or employee is either covered, or required to be covered, by Errors & Omissions liability insurance. The determination as to whether an individual's conduct falls within any of the above exceptions shall be made by the Fund's Executive Committee. Nothing herein contained is intended to shield any employee or appointed official from liability for any act, omission or wrong-doing which would not customarily be covered by Errors & Omissions insurance if same had been required of said employee or appointed officials.
4. A present, past or future Fund Commissioner, official or employee of the Fund shall not be entitled to a defense or indemnification from the Fund unless:
  - a. Within ten (10) calendar days of the time he or she is served with the summons, complaint, process, notice or pleadings, he or she delivers the original or exact copy to the Fund Chairman with a copy to the Fund attorney, selected by the Fund to handle such matters, together with a request that the Fund provide for his or her defense; and
  - b. In the event the Fund provides a defense or indemnification, he or she cooperates in the preparation and presentation of the defense with the attorney selected to defend the case; and
  - c. Except in those instances where a conflict of interest exists, as determined by an attorney selected by the Fund to handle such matters, the past, present or future Fund Commissioner, official or employee shall agree that the Fund and its counsel shall have exclusive control over the handling of the litigation.
5. The foregoing right of indemnification shall not be exclusive of any other rights to which any Fund Commissioner, official or employee may be entitled as a matter of law or which may be lawfully granted to him or her; and the right to indemnification hereby granted by this Fund shall be in addition to and not in restriction or limitation of any other privilege or power which the Fund may lawfully exercise with respect to the indemnification or reimbursement of any Fund Commissioner, official or employee; except that in no event shall a Fund Commissioner, official or employee receive compensation in excess of the full amount of a claim and the reasonable costs and expenses incurred in defending such claim.
6. Expenses incurred by any Fund Commissioner, official or employee in defending an action, suit or proceeding may be paid by the Fund in advance of final determination of such action, suit or proceeding as authorized by the Fund in a specific case upon receipt of an undertaking by or on behalf of such member or officer to repay such amount in the event of an ultimate determination that his or her conduct was such as to fall outside the scope of coverage under this indemnification

provision.

7. Should it be necessary to investigate to alleged wrongdoing by a member of the Fund, the Fund may utilize a third-party to conduct the investigation, and such costs to be covered by the Fund.

#### **Article IV OPERATION OF THE FUND**

##### **A. General Operation**

1. The 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 "the Local Public Contracts Law" (N.J.S.A. 40A:11-1 et. seq.), and regulations (including but not limited to N.J.A.C. 5:34 Local Public & Public School Contracts Law) 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 17:161-1 et. seq.
2. The 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.
3. The Fund is organized pursuant to the Statute and, as such, is a self-insured governmental health plan subject to the provisions of the Public Health Service Act, as amended, and other applicable federal and state laws governing health plans.
4. The Fund shall be operated with sufficient aggregate financial strength and liquidity to assure that all obligations will be promptly met. The Fund shall prepare a financial statement in a form acceptable to the Commissioner showing the financial ability of the Fund to meet its obligations. In consultation with the Fund Actuary, the Fund shall establish actuarially sound policies and claim reserves, and shall include the methodology and assumptions for the calculation of these reserves in its Plan of Risk Management. By majority vote of the full authorized membership, the Executive Committee (or the Fund Commissioners as a whole) may request that the Commissioner order an examination of any Fund member which the Fund Commissioners or Executive Committee, if any, in good faith believes may be in a financial condition detrimental to other Fund members or to the public.
5. All monies, assessments, funds and other assets of the Fund shall be under the exclusive control of the Executive Committee.
6. The Fund shall adopt a resolution designating its fiscal year as January 1 through December 31st.
7. The 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 Fund and shall authorize the custodian to invest temporarily free balances of any claim 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 and shall be a Certified Public Accountant. The custodian shall no less frequently than quarterly report to the Fund on investment and interest income.
8. 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. 11:15-2.21(e), shall be retained by the Executive Director at the discretion of the Fund Commissioners/Executive Committee in accordance with a record

retention program adopted by the Fund. All books, records, files and documents of the Fund shall be retained for not less than five years. The Fund's claims handling procedure shall provide for the prompt, fair, equitable and confidential settlement of claims and shall be administered in compliance with N.J.S.A. 17B:30-13.1 and 13.2, and N.J.A.C. 11:2-17 and 11:15-3.22.

**B. Risk Management Plan**

1. The Executive Director, under the direction of the Executive Committee, shall prepare or cause to be prepared a plan of Risk Management for the Fund pursuant to N.J.A.C. 11:15-3.6(d). The Risk Management Plan shall be adopted by resolution of the Executive Committee.
2. The Risk Management Plan and all amendments must be approved by the Commissioner and the Commissioner of the Department of Community Affairs before taking effect.

**C. Servicing Organizations**

1. The Fund may contract to have the following services performed:
  - a. Claims, adjusting, adjudication and administration;
  - b. Compilation of statistics and the preparation of assessment, loss and expense reports;
  - c. Preparation of reports required pursuant to N.J.S.A. 40A:10-36 et seq. and N.J.A.C. 11:15-3.1 et seq.;
  - d. Development of members' assessments and fees;
  - e. Cost containment services;
  - f. Legal services;
  - g. Risk selection and pricing;
  - h. Stop-loss and reinsurance producer services;
  - i. Actuarial services;
  - j. Internal auditing service;
  - k. Such other services as the Fund Commissioners/Executive Committee may deem necessary to properly manage the Fund.
2. No Servicing Organization or producer appointed by the Fund pursuant to N.J.A.C. 11:15-3.6(e)15, or their employees, officers or directors shall have either a direct or indirect financial interest in the Executive Director of the Fund or be an employee, officer or director of the Executive Director unless written notice of such interest has been provided to the Fund Commissioners and members. Further, no Administrator of the fund, or its employees, officers or directors shall be an employee of or have a direct or indirect financial interest in a Servicing Organization, Fund Coordinator, or Benefit Risk Manager appointed by that Fund pursuant to N.J.A.C. 11:15-3.6(e)15, unless written notice of such interest has been provided to the Executive Committee, Fund Commissioners and Executive Director.

3. Each service contract shall include a clause stating "unless the Fund Commissioners otherwise permit, the Servicing Organization (or Service Provider, as applicable) shall handle to their conclusion all claims and other obligations incurred during the contract period."
4. Each Servicing Organization shall, if required by law, provide a surety bond and Errors & Omissions coverage in a form and amount acceptable to the Commissioner.
5. All officers, employees and agents, including the Executive Director and any Servicing Organization of the Fund, on the final day of their contract or employment shall surrender and deliver to their successors all accounts, funds, property, records, books and any other material relating to their contract or employment, or if no successor has been designated, delivery shall be made to the Executive Director or Fund Chairperson.

#### D. Financial Statement and Reports

1. The Fund shall provide its members with periodic reports covering the activities and status of the Fund for the reporting period. The reports shall be made at least quarterly and may be made more frequently at the discretion of the Executive Committee and shall include, but not be limited to, the minutes of meetings, the Executive Director's report and a summation of Fund activity, including comments on previously reported claims and newly reported claims, and any other information required by the Fund Commissioners. The Treasurer's report shall include budget status, account balances, claims information, investment status, earnings and costs of making investments. These reports shall also be submitted, with a copy of the minutes of closed session meetings (if any), to the Department.
2. A sworn annual report in a form prescribed by the Commissioner shall be prepared by the Fund, filed with the Department and made available to each Fund member not later than one hundred twenty (120) days after the end of the year. The report shall be accompanied by:
  - a. An annual audited statement of the financial condition of the Fund prepared by the Auditor and performed in accordance with generally accepted accounting principles and N.J.S.A. 40A:10-46, which shall include a statement of the organization of the fund, including its balance sheet and receipts and disbursements for the preceding year.
  - b. Reports of outstanding liabilities by line of coverage showing the number of claims, amounts paid to date and current reserves for losses, claims and unearned assessments, as certified by an actuary.
  - c. Reports of all incurred but not reported liabilities certified by an actuary.
  - d. Any material changes in information from previously submitted.
  - e. The number of covered individuals by line of coverage.
3. In addition to the reports required pursuant to section 2 above, the Fund shall also file quarterly unaudited statements of financial condition of the Fund in a form acceptable to the Commissioner with the Department and the Department of Community Affairs within sixty (60) calendar days after the end of each calendar quarter.
4. The Fund shall provide such other information as may be required by the Department pursuant to N.J.A.C. 11:15-3.24.

#### E. Coverages

The Fund shall offer health insurance coverages to the Fund members. Upon a majority vote of the Fund Commissioners, and the approval of the Commissioner, the Fund may also offer other employee benefits permitted pursuant to N.J.S.A. 40A:10-36, et. seq. At least thirty (30) days prior to the beginning of each Fund Year renewal, the Fund shall notify the Commissioner of any changes in coverage and benefit levels as may be determined and specified by the Fund and its members along with copies of written notice to affected persons.

## **Article V MEETING AND RULES OF ORDER**

### **A. Meetings**

1. **Annual Organization Meeting:** As soon as possible after the beginning of the year, the Fund Commissioners shall meet to elect officers and the Executive Committee, if any, to appoint professionals and to conduct such other business as is necessary. The time and place for the meeting shall be established by the Chairperson, and the Secretary shall send written notice to the clerks of participating local units at least two (2) weeks in advance.
2. **Regular Meeting:** The Fund Commissioners/Executive Committee shall establish a schedule of regular meetings to conduct the business of the Fund, which shall be at least quarterly. All Fund Commissioners may attend open or closed sessions of the Executive Committee, subject to the provisions of Article XIII, F (4) hereof concerning confidentiality and the claims handling procedure. Fund Commissioners and Executive Committee members may attend a meeting via teleconference and/or video conferencing or other electronic meanings so long as they are able to hear and be heard during the conduct of the meeting.
3. **Special Meeting:** The Chairperson or three (3) Fund Commissioners may call a special meeting by notifying the Secretary at least three (3) days in advance. The Secretary shall notify the Fund Commissioners (or members of the Executive Committee) by telephone. If the Secretary is unable to reach a member as of forty-eight (48) hours before the meeting, the Secretary shall telephone another official of the local unit using the following order: Member's Clerk, and then the Business Administrator.
4. **Quorum:** The quorum for a meeting of Fund Commissioners shall be as follows:
  - a. A majority of the total Fund Commissioners unless the total number exceeds 25.
  - b. If the total number of Fund Commissioners exceeds 25 in number, then a quorum shall be 13 plus a sum equal to 20% of the number of members in excess of 25 rounded to the next highest number.
5. A quorum for Executive Committee meetings shall be four, including the Chairperson, Secretary and alternates.
6. Whenever an election is required, the Fund Chairperson may cause a paper ballot to be mailed to each Fund Commissioner which shall be counted at a time and place established by the Chairperson. In the event the number of valid ballots is less than a quorum, the vote shall be null and void. In the event the number of valid ballots is equal to or greater than a quorum the paper ballot shall be effective for effecting the election.
7. The Secretary shall cause written minutes to be maintained of all Fund meetings, and shall cause the minutes to be made available to the commissioner upon request.

**B. Conduct of Meeting**

1. All meetings of the Fund shall be subject to the rules and regulations of the Open Public Meetings Act.
2. Unless otherwise provided in these Bylaws, or in the laws or regulations of the State of New Jersey, "Robert's Rules of Order" shall govern the conduct of all meetings.

**C. Amendments to the Bylaws**

1. Any Fund Commissioner may propose an amendment to the Bylaws by filing the proposed amendment in writing with the Secretary.
2. Upon receipt of a proposed amendment, the Secretary shall notify the Chairperson who shall schedule a hearing to be held not more than forty-five (45) days from the date the amendment was filed. The Secretary shall notify in writing all Fund Commissioners of the hearing date and shall send all Fund Commissioners a copy of the proposed amendment.
3. The amendment is adopted by the Fund when the governing bodies of three-fourths (3/4) of the member local units approve the amendment within six (6) months of the hearing on the amendment. If after six (6) months, the Secretary has not received written notice of approval from three-fourths (3/4) of the member local units, the Secretary shall notify the members that time has expired for the adoption of the amendment.
4. If adopted, the amendment shall not take effect until approved by the Commissioner and the Department of Community Affairs.
5. Within ninety (90) days after the effective date of any amendment to the Bylaws, a member local unit that did not approve the amendment may withdraw from the Fund provided it shall remain liable for its share of any claims or expenses incurred by the Fund during its period of membership.

**Article VI  
BUDGETS**

**A. Budget Preparation**

1. Each year, not later than sixty (60) days prior to the beginning of the Fund's subsequent fiscal year, the Fund shall prepare the budget for the next fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations, 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 accounts. 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.
2. The budget shall be reviewed by an actuary who shall comment on its adequacy and shall recommend changes, as appropriate prior to the budget introduction.

**B. Budget Adoption**

1. Not later than November 30th of each year, the Executive Committee (or the Fund Commissioners if there is no Executive Committee) shall adopt by majority vote the budget for the Fund's operation for the coming fiscal year.

2. A copy of the Fund's proposed budget shall be sent to each participating local unit at least two (2) weeks prior to the time scheduled for its adoption. No budget or amendment shall be adopted until a hearing has been held giving all participating local units the opportunity to present comments or objections.

3. A copy of the adopted budget and actuarial certification shall be filed within thirty (30) days of its adoption with the governing body of each participating local unit, the Commissioner and the Department of Community Affairs.

4. An adopted budget may be amended by majority vote of the Executive Committee (or the Fund Commissioners if there is no Executive Committee) after giving the participating local units two (2) weeks' written notice and conducting a hearing on the proposed amendment.

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

6. A copy of any amendment to the Fund budget shall be filed with the Commissioner and the Commissioner of the Department of Community Affairs within thirty (30) days of the adoption of any budget amendment which either singly or cumulatively with other adopted budget amendment changes the total budget five (5%) percent from the original or latest filed amended budget.

## Article VII ASSESSMENTS

### A. Monthly Assessment

#### 1. Monthly Assessment Rates

By November 1st of each year, the Executive Director shall prepare for review by the Executive Committee (or Fund Commissioners if applicable) monthly per capita assessment rates by line of coverage for each member. The Executive Committee may also adopt a capping formula, which distributes the increase in the monthly assessments so that no member's per employee rates increase by more than the average Fund-wide increase plus a percentage specified by the Executive Committee. Each member's monthly assessment per capita rates shall be certified by majority vote of the Executive Committee to the governing body of each participating local unit at least one (1) month prior to the beginning of the next fiscal quarter. For budget purposes, the Fund will also compute and communicate each member local unit's maximum cost based on the Fund's aggregate stop loss excess insurance (if any).

#### 2. Adjusted Monthly Assessment

a. The Executive Director shall compute the monthly assessment for each member unit by multiplying the member's latest census by its latest employee census. Whenever a change in a member's plan design is approved, the Executive Committee shall modify that member's monthly per capita assessment rate in accordance with the recommendation of the actuary.



- b. The Treasurer shall deposit each member's assessments into the applicable accounts including the Administrative Account, Contingency Account and the Claim or Loss Retention Trust Fund Account by Fund Year.

3. **COBRA & Retiree Billing**

In the event the Fund directly bills retirees, and individuals covered pursuant to COBRA and conversion options, the member local unit shall be assessed for any delinquency in said payments.

**B. Supplemental Assessments**

1. The Executive Committee shall by majority vote levy on the participating local units additional assessments, whenever needed or when so ordered by the Commissioner, to supplement the Fund's Claim Loss Retention or Administrative Accounts to assure the payment of the Fund's obligations. No retiree, or individual billed directly by the Fund for coverage under COBRA or conversion options shall be subject to supplemental assessment and any such deficits shall be assessed to the appropriate member local units.
2. All supplemental assessments shall be charged to the participating member local units by applicable Fund year, and shall be apportioned by that year's assessments for that line of coverage.
3. All local units shall be given thirty (30) days advance written notice of the Fund's intention to charge an additional assessment, and the Fund shall conduct a hearing before adopting the supplemental assessment.
4. Local units shall have thirty (30) days to pay the Fund from the due date established by the Executive Committee at the time any supplemental assessment is adopted. Whenever possible, the due date shall be no sooner than the beginning of the Fund's next fiscal year.
5. The Fund shall submit to the Commissioner and the Department of Community Affairs a report of the causes of the insufficiency, the assessments necessary to replenish it and the steps taken to prevent a recurrence.

**C. Failure or Refusal to Provide Required Assessments**

Should any member of the Fund fail or refuse to pay its assessments or supplemental assessments, or should the Fund fail to assess funds required to meet its obligations, the Chairperson, or in the event by his or her failure to do so, the custodian of the Fund's assets shall notify the Commissioner and the Commissioner of Community Affairs. Past due assessments shall bear interest at the rate of interest established annually by the Executive Committee. The Fund Attorney or other attorney selected by the Executive Committee shall endeavor to collect past due assessments and any accrued interest in any action in Superior Court, Law Division, State of New Jersey, and in the event such action is successful, the Fund shall also be entitled to collect its costs incurred including reasonable attorneys' fees.

**D. Insolvency and/or Bankruptcy of Fund Members**

Insolvency or bankruptcy of a member does not release the Fund, or any other member, of joint and several liability for the payment of any claim incurred by the member during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments.

**Article VIII**

## **REFUNDS**

- A. Any monies for a Fund Year in excess of the amount necessary to fund all obligations for that Fund Year as certified by an actuary, may be declared to be refundable by the Fund in accordance with the regulations promulgated by the Department. No retiree or other individual directly billed by the Fund for coverage including COBRA and conversion shall be eligible for refunds.
  - B. A refund for any Fund Year shall be paid only in proportion to the member's participation in the Fund for such year. Payment of a refund for a year is not contingent on the member's continued membership in the Fund after that year.
  - C. The Fund may apply a refund to any arrearage owed by the member to the Fund. Otherwise, at the option of the member, the refund may be retained by the Fund and applied toward the member's next assessment.
  - D. The Executive Committee may appropriate a portion of any refund to the appropriate contingency account subject to the provision of N.J.A.C. 11:15-3.13(b).
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## **Article IX STOP-LOSS INSURANCE AND/OR REINSURANCE**

- A. Where self-insured, the Fund shall provide a plan for specific and/or aggregate stop-loss insurance or reinsurance in a form and amount acceptable to the Commissioner from an insurer, health joint insurance fund, or other entity authorized or admitted to provide such coverage in the state pursuant to law.
- B. If due to condition in the commercial insurance market, specific and/or aggregate insurance or reinsurance is either not available or the pricing is such that, or for other valid reasons, in the judgment of the Executive Committee, it would be in the best interest of the Fund not to carry such specific and/or aggregate insurance or reinsurance, and if the Fund's actuary certifies that the retention is in accordance with sound actuarial principles, the Executive Committee may apply to the Commissioner for a waiver of the requirements of N.J.A.C. 11:15-3.23.
- C. If the waiver referred to in B above is granted by the Commissioner and results in a revision(s) and/or amendment(s) of either the Plan of Risk Management or the Budget, they shall not be effective until they have been approved by the Commissioner and the Commissioner of the Department of Community Affairs.
- D. Certificates of stop-loss insurance and/or reinsurance showing policy limits and other information shall be available for inspection by each Fund member and shall be filed with the Commissioner.
- E. Any proposed change in the terms or limits of stop-loss insurance and/or reinsurance shall be submitted to the Department and the Department of Community Affairs for approval at least thirty (30) days prior to the effective date of the proposed change.

## **Article X TRUST FUND ACCOUNTS, INVESTMENTS AND DISBURSEMENTS**

- A. Establishment of Trust Fund Accounts
  - 1. By resolution, the Fund shall designate 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 the funds for the Fund and shall authorize the custodian to invest temporarily free balances of any claim or administrative accounts periodically as authorized by law.

2. The Fund shall establish a separate Fund Trust Account in accordance with N.J.A.C. 11:15-3.6(b)6 from which monies shall be disbursed solely for the payment of claims, allocated claims expenses and stop-loss or reinsurance premiums. These accounts shall be designated as Claims or Loss Retention Fund Accounts.
  - a. Other than the purposes specified in 2 above, or as otherwise authorized by N.J.A.C. 11:15-3.13 no transfers or withdrawals may be made from a Claim or Loss Retention account without the prior written approval of the Executive Committee and, if necessary, the Commissioner.
  - b. In the event the Fund directly bills retirees, individuals covered under COBRA or conversation options, or other employee contributions, the Fund shall maintain accounting records of all income and distributions with respect to said contributions, provided that employees, retirees and other individuals directly billed by the Fund shall not be subject to supplemental assessment and/or refunds.
3. ~~The Fund shall establish an Administrative Account, which shall be used for payment of the Fund's general operating expenses, cost containment activities, data processing services and general legal expenses.~~
4. The Fund may establish by resolution a separate trust fund account for contingencies and may include in the budget an assessment for this account provided, however, that no such assessment shall be included in rates used to directly bill retirees, or individuals covered under COBRA or conversion options.
  - a. The assessment for the contingency account shall not exceed the limits in N.J.A.C. 11:15-3.13(b).
  - b. The Fund shall maintain accounting records on contingency accounts by Fund Year, which shall include:
    - i. The sources of contributions to the contingency account;
    - ii. Transfers from the account to a claims or loss retention trust fund account by Fund Year;
    - iii. Interest earned, which shall be allocated by the average balance in the contingency account by Fund Year; and
    - iv. The pro rata share of each member local unit allocable to each member.
  - c. In the event a member local unit withdraws or is terminated from the Fund, the Fund shall return to such member its share of the contingency account within the time period provided for in N.J.A.C. 11:15-3.20.

#### B. Investments

1. The free balance of any account shall be invested to obtain the maximum interest return practical. All investments shall be in accordance with the Fund's cash management plan and consistent with the statutes and rules governing the investment of public funds by local governments and pursuant to N.J.S.A. 40A:10-10(b).

2. The investment and interest income earned by the investment of the assets of each Claim or Loss Retention Account shall be credited to each account by Fund Year.
3. The investment and interest income earned by investment of the assets of the Administrative Account and Contingency Account shall be credited to that Account.
4. With the prior approval of the Commissioner and the Commissioner of Community Affairs, the Fund may join together with other joint insurance funds to implement a joint investment and cash management program as permitted pursuant to N.J.S.A. 40:8A-3.

C. Disbursements

1. Prior to any commitment or agreement requiring the expenditure of funds, the custodian of the Fund's assets shall certify the availability of sufficient unencumbered funds in the account to fully pay all charges or commitments to be accepted.
2. ~~All disbursements, payments of claims and expenditures of funds must be approved by a majority vote of the Fund's Commissioners or the Executive Committee.~~
3. Notwithstanding subsections 1 and 2 above, the Fund may provide for the expeditious resolution of certain claims pursuant to N.J.A.C. 11:15-3.21(b) by designating the Fund's Executive Director or other Service Organization as "certifying and approving officer" pursuant to N.J.S.A. 40A:5-17. The Fund may authorize the certifying and approving officer to approve for payment any or specified claims in an amount not to exceed an amount approved by the Commissioner in the Plan of Risk Management. The Fund shall establish such other procedures and restrictions on the exercise of this authority, as the Fund may deem appropriate. The authority of the certifying and approving officer may be revoked at any time.
4. Upon approval, the certifying and approving officer shall certify the amount and particulars of such approved claims to the custodian of the Fund's assets directing that a check for payment be prepared.
5. The certifying and approving officer shall prepare a report of all claims approved since the last report, detailing the nature and the amount of the claim, the payee, the reasons supporting payment and any other pertinent information. This report shall be reviewed and approved or rejected by vote of the Executive Committee at their next scheduled meeting. If any claim approved and paid by the certifying and approving officer is not approved by the Executive Committee, they shall direct that appropriate action shall be taken.
6. Each request for payment must be accompanied by a detailed bill of items or demand, specifying particularly how the bill or demand is made up, with the certification of the party claiming payment that it is correct, and must carry the certification of some officer, or duly designated agent or employee of the Fund having knowledge of the facts that the goods have been received by or the services rendered to the Fund. In the case of claims or losses to be charged against any loss fund, the Fund's Claim Administrator shall certify as to the claims' correctness and validity.
7. All claims shall be paid by check or, subject to approval of the procedure by the Commissioner, by wire transfer of funds to the Third Party Claims Administrator. Each check shall be signed by two persons designated by the Fund Commissioners or the Executive Committee.

8. All claims and other disbursements approved for payment by the Fund shall be recorded in a claims register retained by the custodian of the Fund's assets.

**Article XI  
CONFLICT OF INTEREST**

All officials or employees of a participating local unit or any members of the family of such officials or employees shall comply with N.J.S.A. 40A:9-22.1 et seq. (the "Local Governmental Ethics Laws").

**Article XII  
VOLUNTARY DISSOLUTION OF THE FUND**

- A. If the Executive Committee deems it in the best interest of the members to dissolve the Fund, they shall, by majority vote, direct that a plan of dissolution be prepared.
- B. The plan of dissolution must provide for the payment of all incurred losses of the Fund and its members, including all incurred, but not reported, losses, as certified by an actuary, before any assets of the Fund or the Trust Fund Accounts may be used for any other purposes. The plan of dissolution shall also contain a statement of the Fund's current financial condition computed on a statutory basis and computed to generally accepted accounting principles as attested to by an independent certified public accountant.
- C. Upon completion of the plan, the Chairperson shall call a general meeting of all Fund Commissioners who shall review the plan and make any appropriate amendments. By majority vote, the Fund Commissioners may recommend to the members that the Fund be dissolved in accordance with the plan of dissolution.
- D. A majority of the governing bodies of the participating municipalities must, by resolution, vote to accept the plan of dissolution in order to dissolve the Fund.
- E. The plan of dissolution, and other such information as may be required, must be filed with, and approved in writing by the Commissioner and the Commissioner of the Department of Community Affairs before the dissolution of the Fund is effective.

**Article XIII  
CLAIMS HANDLING PROCEDURE**

- A. Compliance. The Fund shall comply with the requirements of N.J.S.A. 17B:30-13.1 and 13.2 and N.J.A.C. 11:2-17 and N.J.A.C. 11:15-3.22.
- B. Registration of Claims. Covered individuals shall submit claims to the Third Party Claims Administrator (TPA) retained by the Fund. Each covered employee shall have an identification card, which contains the name and telephone number of the TPA. Claim reporting forms shall be made available to each participant.
- C. Claims Response. Upon receipt of the initial notice of claim, the TPA shall process the information in the following manner:
1. Validate that the person has coverage.
  2. Determine if claim is eligible.
  3. Calculate the amount payable based upon the plan or benefits deductible, coinsurance, any cost containment features in the plan, and coordination of benefits (COB) factors.
  4. Pay valid claims or issue notice of rejection.
  5. If a notice of rejection is issued, the reason for said rejection shall be stated t hereon.

D. Periodic Review of Pending Claims. All pending claims will be reviewed not less than monthly. The TPA shall submit a report to the Fund not less than quarterly.

E. Approval of Payments. The Fund shall specify in the contract the TPA's claims payment authority.

F. Confidentiality

1. As mandated by New Jersey Law, Employee claims information is privileged and confidential and shall not be included as a part of any open public record.
2. Fund Commissioners and the officials of the member local unit shall not have access to any employee claim information which reveals the identity of any individual plan participant.
3. All claims are to be filed, and all inquiries are to be handled, directly with the Third Party Administrator. All employees of the Third Party Administrator shall execute a non-disclosure statement to protect the identity of the plan participants.
4. Only Executive Committee members and necessary Fund professionals shall participate in any closed session discussion of claims. These claims discussions, whether general or specific to a coverage dispute, shall at all times be confidential and anonymous so that the identity of the local unit and/or claimant cannot be ascertained. When necessary, as in a specific claim dispute, the anonymity of the claimant shall be assured by assigning a blind claim number and deleting all references to the individual's name and place of employment. The claimant may request that the claim dispute be handled with disclosure of his identity by submitting a written request for such disclosure to the Executive Committee.
5. Documents identifying the employee, or from which the employee's identity might be deduced, shall not be accessible to any persons other than the Third Party Administrator, Executive Director, Fund Coordinator, Fund Attorney, or duly appointed claim auditors when such records are needed to verify the accuracy of claim data as part of an audit.
6. Any person having access to claim information must sign a written non-disclosure statement.

G. Disputed Claims Appeal Procedures

1. If the plan participant is dissatisfied with the determination of the claim processor, the plan participant may appeal in writing the processor's determination to the TPA's Services Management Review Team, who shall notify the plan participant in writing of their determination. The plan participant (hereinafter sometimes referred to as "claimant") shall, at that time, be advised that the determination may be appealed to the Fund's Independent Review Organization ("IRO") and that, at the plan participant's written request, the appeal may be made with the identity of the plan participant revealed. The plan participant's identity shall be revealed only upon the written request of the participant. A copy of this communication with the plan participant's name shall be sent to the Executive Director.
2. The claimant may, in within four (4) months from the date of receipt of the notice, appeal an adverse determination concerning a claim by submitting a written request to appeal an adverse benefit determination and/or final internal adverse benefit determination made by the TPA and submitting the written request, with a copy of the determination letter issued by TPA to the Executive Director.
  - a. The Executive Director will conduct a preliminary review within five (5) business days of the receipt of the request for an external review. There is no right to an external review if (i)

the claimant is or was not eligible for coverage at the time in question or (ii) the adverse benefit determination or final internal adverse benefit determination is based upon the failure of the claimant or covered person to meet requirements for eligibility under the Plan. The Executive Director shall notify the claimant if (a) the request is not eligible for external review; (b) that additional information is needed to make the request complete and what is needed to complete the request; or (c) the request is complete and being forwarded to the IRO.

b. The Executive Director shall then forward an eligible, complete request for external review to the IRO designated by the Fund who shall be required to conduct its review in an impartial, independent and unbiased manner and in accordance with applicable law.

c. The assigned IRO will provide timely written notice to the claimant of the receipt and acceptance for external review of the claimant's request and shall include a statement that the claimant may submit, in writing and within ten (10) business days of the receipt of the notice, additional information which shall be considered by the IRO when conducting the external review. Upon receipt of any information submitted by the claimant, the IRO, within one (1) business day, shall forward the information to the Executive Director who may reconsider the adverse benefit determination or final internal adverse benefit determination and, as a result of such reconsideration, modify the adverse benefit determination or final internal adverse benefit determination. The Executive Director shall provide prompt written notice of any such modification to the claimant and the IRO.

d. The Executive Director, within five (5) business days of the assignment of the IRO, shall deliver to the IRO any documents and information considered in making the adverse benefit determination or the final internal adverse benefit determination. The IRO may terminate the external review and decide to reverse the adverse benefit determination or final internal adverse benefit determination if the Executive Director does not provide such information in a timely manner. In such event, the IRO shall notify the claimant and the Executive Director of the decision within one (1) business day.

e. The IRO shall complete the external review and provide written notice of its final external review decision within forty-five (45) days of the receipt of the request for the external review. In the case of a request for expedited external review of an adverse benefit determination or final internal adverse benefit determination where delay would seriously jeopardize the life or health of the claimant or the ability to regain maximum function, the IRO shall provide notice of the final external review decision as expeditiously as possible but in no event more than 72 hours after the receipt of the request for an expedited external review. If the notice is not in writing, the IRO must provide written confirmation of the decision to the claimant and the Executive Director within 48 hours after providing that notice in the case of an expedited external review. The IRO shall deliver notice of its final external review decision to both the claimant and the Executive Director for all external reviews conducted. The notice of decision shall contain:

(i) a general description of reason for the external review with sufficient information to identify the claim, claim amount, diagnosis and treatment codes and reason for previous denial;

(ii) the date the IRO was assigned and date of the IRO's decision;

(iii) references to the documentation/information considered;

(iv) a discussion of the rationale for the IRO's decision and any evidence-based standards relied upon in making the decision;

(v) a statement that the decision is binding on the claimant and the Fund subject to the claimant's right to seek judicial review of the same; and

(vi) that the claimant may contract the New Jersey health insurance consumer assistance office at NJ Department of Banking and Insurance, 20 West State Street, PO Box 329, Trenton, NJ 08625, phone (800) 446-7467 or (888) 393-1062 (appeals) website: <http://www.state.nj.us/dobi/consumer.htm>;

e-mail: [ombudsman@dobi.state.nj.us/](mailto:ombudsman@dobi.state.nj.us/)

**Article XIV  
COMPLAINT HANDLING PROCEDURES  
(Other Than Disputed Claims)**

- A. Whenever any interested party shall submit a complaint in writing to the Fund, the Executive Director or any member of the Fund, a copy thereof shall be forthwith communicated to the Executive Committee for consideration at their next regularly scheduled meeting, unless the complaint is received seven (7) business days or fewer prior to the next meeting, in which case it shall be considered at the next ensuing meeting.
- B. At said meeting, the Executive Committee shall consider the complaint, and by recorded vote take such action as might be appropriate.
- C. The complaining party, through the Executive Director, shall receive written notice of the Executive Committee's findings. The written notice to the complaining party may, where appropriate, include an opportunity for the complaining party to have a hearing concerning its complaint before the Executive Committee.
- D. The Fund shall keep a separate record of each complaint. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.
- E. For purposes of this article "complaint" means any written communication primarily expressing a grievance.
- F. Confidentiality -
1. As mandated by New Jersey Law, all employee complaint information is privileged and confidential and shall not be included as a part of any open public record.
  2. Fund Commissioners and officials of the member local unit shall not have access to any employee complaint information which reveals the identity of any individual plan participant.
  3. All complaints are to be filed, and all inquiries are to be handled, directly with the Executive Director. All employees of the Executive Director shall execute a non-disclosure statement to protect the identity of plan participants.
  4. Only Executive Committee members and necessary Fund Professionals shall participate in any closed session discussion of complaints. These complaint discussions, whether general or specific, shall at all times be confidential and anonymous so that the identity of the local unit and/or complaining employee cannot be ascertained. When necessary, the anonymity of the complaining employee shall be accomplished by assigning a blind complaint number and deleting all references to the individual's name and place of employment. The complaining employee may demand that the matter be handled with disclosure of his identity by so indicating in writing to the Executive Committee.
  5. Documents identifying the employee, or from which the employee's identity might be deduced, shall not be accessible to any persons other than the Executive Director, or Fund Attorney.
  6. Any person having access to complaint information must sign a written non-disclosure statement



**Article XV  
OTHER CONDITIONS**

- A. **Inspection and Audit.** The Fund shall be permitted, but not obligated, to inspect, at any reasonable time, the workplaces and operations of each Fund member. Neither the right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking on behalf of, or for the benefit of, the member local unit or others, to determine or warrant that such workplaces or operations are safe or healthful or are in compliance with any law, rule or regulation.

The Fund shall be permitted to examine and audit the member local unit's payroll records, general ledger, disbursements, vouchers, contracts, tax reports and all other books, documents and records at any reasonable time as far as they show or tend to show or verify the amount of remuneration or other premium basis, or relate to the subject matter of the Fund.

- B. **Notice of Claim or Suit.** If claim is made or formal petition or a suit or other proceedings are brought against a member local unit, which pertains to its membership in the Fund or the coverages offered through the Fund, the member local unit shall immediately forward to the Fund every demand, notice, summons, or other process received by it or its representative.
- C. **Assistance and Cooperation of the Member Local Unit.** The member local unit shall cooperate with the Fund and upon the Fund's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits or proceedings. The member local unit shall not, except at its own cost, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and other services at the time of injury as are required by law.
- D. **Action Against Fund.** No action shall lie against the Fund unless, as a condition precedent thereto, the member local unit shall have fully complied with all the terms of these Bylaws, nor until the amount of the member local unit's obligation to pay shall have been finally determined either by judgment against the member local unit after actual trial or by written agreement of the member local unit, the claimant and the Fund. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under these Bylaws to the extent of the protection afforded herein. Nothing contained in these Bylaws shall give any person or organization any rights to join the Fund as a co-defendant in any action against the member local unit to determine the member local unit's liability.
- E. **Subrogation.** In the event of any payment under these Bylaws, the Fund shall be subrogated to all rights of recovery therefore of the member local unit and any person entitled to the benefits of these Bylaws against any person or organization and the member local unit shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The member local unit shall do nothing after loss to prejudice such rights.
- F. **Conformance With Statute.** In the event any portion of these Bylaws conflict with any statute or administrative regulation covering joint insurance funds, the provision of any such statute or regulation shall control to the extent of any conflict.

