

MUNICIPAL ALLIANCE HEALTH INSURANCE FUND
25 Fairview Avenue
Verona, New Jersey 07044
973.857.0870

BYLAWS (As of February 11, 2014)

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

WHEREAS, The Municipal Alliance Health Insurance Fund was established effective _____ pursuant to said statutes, and

WHEREAS, Subsequent revisions to said statute and the regulations promulgated by the Department of Banking and Insurance pursuant thereto necessitate the Fund to update its existing bylaws.

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

I. DEFINITIONS (NJAC 11:15-3.2)

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 Executive Committee to act as Executive Director, to carry out the policies established by the Fund or executive committee and to otherwise administer and provide day-to-day management of the Fund.

"CHAIRMAN " means the chairman of the fund commissioner elected by the commission pursuant to NJSA 40A:10-37.

"COMMISSIONER " means the Commissioner of the New Jersey Department of Banking and Insurance

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

"DEPENDENT " means dependent as defined pursuant to NJSA 40A:10-16.

"EXECUTIVE COMMITTEE " means the committee of insurance fund commissioners, as provided in NJSA 40A:10-36, et. seq.

"FUND" means the Municipal Alliance Health Insurance Fund.

"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 this state, 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 by members of the Fund which each 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 application to the Fund.

"INSOVENT FUND " means a joint insurance fund which has been determined by a court of competent jurisdiction to be unable to pay its outstanding lawful obligations as they mature in the regular course of business, as may be shown either by an excess of its required reserves and other liabilities over its assets or by its not having sufficient assets to reinsure all of its outstanding liabilities after paying all accrued claims owned by it, or for which, or for the assets of which, a receiver or liquidator, however entitled, has been appointed by a court of competent jurisdiction and authority.

"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 and as approved by the Department.

" JOINT INSURANCE FUND COMMISSIONERS " or **"FUND COMMISSIONERS "** or **"COMMISSIONERS "** means local unit representatives chosen to represent those units in the Fund, as provided by NJSA 40A:10-36, et. seq. and as provided within these by-laws.

“LEAD AGENCY” means a member of the joint insurance Fund responsible for the custody and maintenance of the assets of the Fund and other such duties as may be designated by the joint fund insurance 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, a municipality, county vocational school, county college or any contracting unit as defined by NJSA 40A:11-2.

“MEMBER” means a local unit which is a member of local unit joint insurance fund formed pursuant to NJSA 40A:10-36 and NJAC 11:15-3.1, et. seq.

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 by NJSA 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 as elected by the commission pursuant to NJSA 40A:10-37 and operation of these by-laws.

“SERVICING ORGANIZATION” also referred to as **“SERVICE PROVIDER”** 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, 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 subchapter, and such other duties as designated by the Fund.

"STOP-LOSS INSURANCE" or "REINSURANCE" means insurance, purchased from an insurer 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.

II. MEMBERSHIP

A. Founding Membership Applications (NJAC 11:15-3.3) : Pursuant to N.J.S.A. 40A: 10-36, the governing body of each local unit of government comprising the initial membership of the Fund may by resolution, or ordinance, as appropriate, agree to join together with any other local unit or units to join the Fund. The resolution or ordinance shall provide for execution of a written agreement: (a) specifically conditioning membership on acceptance of the Fund's by-laws as approved and adopted pursuant to N.J.S.A. 40A: 10-36 et seq.; (b) the extent of the local unit's participation in the Fund with respect to the type(s) of insurance to be provided by the Fund; (c) the duration of fund membership, which shall be three years; (d) also specifying that the fund member has never defaulted on claims is 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; (e) and shall also provide for the execution of an Indemnity and Trust agreement as required by NJAC 11:15-3.6(b)(6).

B. Subsequent Membership Applications (NJAC 15:11-3.9)

1. Any 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.
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 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 and address of the new member; the effective date of coverage; the name of the new member's risk manager; the name of the new member's insurance fund commissioners and alternates in accordance with N.J.A.C. 11:15-3.6(e); the line(s) of coverage for which the new member participates; the

amount of assessment (if not otherwise provided); an affirmative statement from the Fund that in accepting the new member, an application has been filed, the fund has adhered to its By-Laws and Plan of Risk Management, and the agreement to participate and indemnity and trust agreement have been filed with the Fund; as well as any amendments to the Fund's Bylaws and Plan of Risk Management that accompanied the new members entry into the Fund; 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 nonmember local unit. The Fund shall retain a copy of all disapprovals for five (5) years.

C. Membership Renewals - NJAC 15:11-3.3(b)

1. Members may renew their participation by execution of a new agreement to rejoin 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 the term period.
2. The Executive Committee must act on any renewal application no later than forty-five (45) days prior to the expiration of the term period. Otherwise, the renewal application is 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 risk management 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.
6. In lieu of filing copies of the new agreement and new indemnity and trust agreements referred to in NJAC 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.

D. Termination and/or Withdrawal of Fund Members - NJAC 11:15-3.10

1. A member of the Fund may remain a member for the full term of membership, as provided in the Fund's By-Laws unless 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 risk management 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 to the member, thirty (30) days written notice of its 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. If the Fund has amended its By-Laws, which have been subsequently approved by the Commissioner as per NJSA 40A:10-43, a member local unit which did not approve the amendment 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. Written notice of the intent to withdraw must be received by the Fund at least ninety (90) days before the date of 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 ninety (90) days before the expiration of the term period. The Fund shall immediately notify the Department and the Department of Community Affairs that the member has given notice to leave 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.
7. A Fund member is not relieved of the claims incurred during its period of membership except through payment by the Fund or member of those claims.
8. The Fund shall only cover claims received 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.

III. ORGANIZATION

A. Commissioners - Appointment (NJSA 40A:10-37)

1. 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.
2. Alternate Commissioner: Each participating local unit may also appoint an Alternate Commissioner who shall be a member of the governing body or employee of the local unit and shall serve as the local units' Fund Commissioner in the absence of the regular Fund Commissioner.
3. 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.

B. Commissioners - Terms of Office and Vacancy (NJSA 40A:10-37)

1. All terms of office shall expire on January 1st or until a successor is duly appointed and qualified.
2. 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.
3. 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.
4. Any Fund Commissioner can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Fund Commissioners. Upon such a vote it shall be incumbent upon the member local unit to replace the Commissioner.
5. Commissioners shall serve without compensation, except that commissioners may vote to pay themselves a fee for attending commission meetings not to exceed \$150 per meeting.

C. Commissioners - Responsibilities (NJSA 40A:10-38)

1. The Commissioners are hereby authorized and empowered to operate the Fund in accordance with these Bylaws and appropriate state laws and regulations.
2. The Commissioners shall also have the powers and authority granted to commissioners of individual local insurance funds under the provisions of NJSA 40A:10-10(a), (b), (c) and (e).
3. Each Commissioner shall have one vote.
4. Each Commissioner shall be responsible to monitor all Fund activities through attendance at meetings and/or examination of monthly minutes and reports.

D. Fund Officers - Chairperson & Secretary (NJSA 40A:10-37)

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 until 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 fill the vacancy for the unexpired term.

E. Executive Committee (NJSA 40A:10-37)

1. If the total number of member local units exceeds seven, the commissioners shall, as soon as possible after the beginning of the year select not more than seven commissioners to serve as the Executive Committee of the Fund. The commissioners may also select not more than seven commissioners to serve as alternates on the Executive Committee. The Executive Committee shall exercise the full power and authority of the commission. Vacancies on the Executive Committee shall be filled by election of the entire board.

2. The Executive Committee shall serve co-terminously with their underlying office until January 1st of the following year, or until their successors are duly elected and qualified.
3. The Executive Committee shall oversee the Fund Professionals and the operation of the Fund to assure compliance with these Bylaws and applicable rules and regulations.
4. 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. Upon such a vote it shall be incumbent upon the Fund Commissioners to elect a replacement.

F. Indemnification of Officers and Employees

1. The Administrator, Program Manager 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 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 employment.
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 Commissioner, and may indemnify such other officials or professionals or 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 Funds Commissioners/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.

IV. OPERATIONS OF THE FUND

A. General Operation (NJAC 11:15-3.4(a)-(e),(g))

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 "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) 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.

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 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 on 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.
4. All monies, assessments, funds and other assets of the Fund shall be under the exclusive control of its Board of Insurance Fund Commissioners or of the Executive Committee, as applicable.
5. The Fund shall adopt a resolution designating its fiscal year as January 1 through December 31st.
6. 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. The custodian shall quarterly report to the Fund on investment and interest income.
7. 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 Administrator or Program Manager at the discretion of the Fund Commissioners 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 shall also retain claims information as per N.J.A.C. 11:15-2.4(g).

B. Risk Management Plan (NJAC 11:15-3.6(d))

1. The Fund Commissioners 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 Fund Commissioners or Executive Committee (if any and as appropriate).

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. Cash Management Plan (NJAC 11:15-3.6(e)(4))

1. The Fund Commissioners shall prepare or cause to be prepared a plan of Cash Management for the Fund pursuant to N.J.A.C. 11:15-3.6(e)(4). The Cash Management Plan shall be adopted by resolution of the Fund Commissioners or Executive Committee (if any, and as appropriate).
2. The Cash Management Plan and all amendments must be approved by the Commissioner and the Commissioner of the Department of Community Affairs before taking effect

D. Producer Arrangement Plan (NJAC 11:15-3.6(e)(15))

1. The Fund Commissioners 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(e)(15)). The Producer Arrangement Plan shall be adopted by resolution of the Fund Commissioners or Executive Committee (if any and as appropriate).
2. The Producer Arrangement Plan shall include, but not be limited to, copies of all producer contracts, which shall contain a description of the producers' obligations, responsibilities and compensation; the duration of each such contract; and an indication whether and when such contracts are subject to renewal. At all times, compensation to paid to producers must be reasonable. The Commissioner retains sole discretion to disapprove any producer arrangement found to be unreasonable in any term(s).
3. The Producer Arrangement Plan and all amendments must be approved by the Commissioner and the Commissioner of the Department of Community Affairs before taking effect

E. Servicing Organizations (NJAC 11:15-3.26)

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 Program Manager, 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 an Administrator of the Fund or be an employee, officer or director of an Administrator unless written notice of such interest has been provided to the Fund Commissioners and members.
- 3. 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, Program Manager, or Producer 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 Fund Commissioners and members.
- 4. Each contract with a servicing organization or program manager shall include a clause stating "unless the Fund Commissioners otherwise permit, the Servicing Organization (or Program Manager, as applicable) shall handle to their conclusion all claims and other obligations incurred during the contract period."
- 5. The Fund Commissioners shall notify the Department within 10 days of any determination to terminate or non-renew any agreement with a servicing organization. The notification shall include a detailed statement that sets forth the manner and method by which the obligations performed by the servicing organization will be provided or a statement setting forth reasons why the commissioners believe the particular service is no longer necessary.
- 6. The Fund Commissioners or Executive Committee, if any, may designate an Administrator or Lead Agency to carry out the policies established by the Commissioners or Executive Committee (if any), and to provide day-to-day management of the Fund. The minutes of the Commissioners or Executive Committee meetings (if any) shall detail the areas of authority delegated to the Administrator and/or Lead Agency.
- 7. Any employee, officer or director of an Administrator, Servicing organization, program manager, or insurance producer appointed pursuant to NJAC 11:15-3.6(e)15 shall disclose to the fund commissioners or executive committee (as applicable), any direct or indirect financial interest such employee, officer or director has in any other administrator, servicing organization, program or insurance producer.
- 8. 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.
- 9. All officers, employees and agents, including the Administrator and 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, of if no successor has been designated, delivery shall be made to the Administrator or Fund Chairperson (NJAC 11:15-3.4(j)).

F. Financial Statement and Reports

1. **Member Reports - (NJAC 11:15-3.4(i)).** 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, the Administrator'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, but excluding any closed session minutes of portions of a meeting as provided in NJSA 10:4-12b. The Department may require that the reports be submitted to the Department if it is deemed necessary to ensure compliance with these reporting requirements. The reports shall also be made available to the department for review during any examination of the fund. The Department may also require that copies of closed session minutes be filed for its review. Copies of closed session minutes filed with the Department shall be held confidential by the Department and shall not be subject to public inspection or copying pursuant to the "Right to Know" law, NJSA 47:1A-1, et. seq.
 - a. 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, to the Department.
2. **Reports to the Department and Commissioner (NJAC 11:15-3.24).**
 - a. Annual Report:
 1. A sworn annual report in a form acceptable to the Commissioner shall be prepared by the Fund, filed with the Department and Department of Community Affairs 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 an independent certified public accountant or registered municipal accountant and performed in accordance with generally accepted accounting principles and NJSA 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.
 - f. Such other information as may be required by the Department pursuant to N.J.A.C.11:15-3.24(a)(6).
- b. Quarterly Reports: In addition to the annual reports to be filed with the Department and the Department of Community Affairs, 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. These quarterly reports shall contain the same information as required in the annual filings, except that certification by a certified public accountant or a qualified actuary shall not be required.

G. Coverages: The Fund shall offer health insurance coverages to the 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.

V. MEETINGS 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 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 these By-Laws concerning confidentially and the claims handling procedure.

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, 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.
 - c. A quorum for Executive Committee meetings shall be four, including the Chairperson.
5. 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.
6. 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 - (NJSA 40A:10-43)

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.

VI. BUDGETS

A. Budget Preparation (NJAC 11:15-3.4(f))

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 (NJAC 11:15-3.4(f)(1)-(6))

1. 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.
2. Not later than the end of the Fund's current fiscal year, the Commissioners, or Executive Committee thereof (if any), shall adopt by majority vote the budget for the Fund's operation for the coming fiscal year
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 membership of the fund commissioners, or Executive Committee thereof (if any), 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.

VII. ASSESSMENTS

A. Monthly Assessment (NJAC 11:15 -3.15)

1. Each member of the Fund shall appropriate and pay to the Fund its assessments as required by the Fund. Assessments for contributory or non-contributory group health insurance and term life insurance may be required by the Fund to be paid in monthly installments.
2. Each member's assessment shall consist of an amount allocated for administrative account, contingency trust account (when appropriate), plus a specific assessment to establish and/or replenish the claim and/or loss retention fund account for each type of coverage provided by the Fund and in which the member participates.
3. The total amount of each member's assessments to the fund shall be certified by Fund Commissioners to the governing body of each participating member at least one month prior to the next fiscal quarter. As a condition of continued participation in the Fund, each member shall pay the amount certified at the time and in the manner provided in the Fund By-Laws.
4. Nothing in this section precludes the assessment and payment of supplemental assessments as provided in NJAC 11:15-3.16.
 - a. Monthly Assessment Rates - By November 1st of each year, the Executive Director shall prepare for review by the Executive Committee 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. 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).
 - b. Adjusted Monthly Assessment
 1. 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.
 2. The Custodian of Funds/Treasurer (or their duly appointed designee) 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.
5. 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 (NJAC 11:15-3.16)

1. The Fund Commissioners, or Executive Committee (if any and as appropriate), shall by majority vote levy on the participating local units additional assessments (which majority vote shall be sufficient to bind all members thereto), whenever needed or when so ordered by the Commissioner, to supplement the Fund's Claim and/or Loss Retention Accounts 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. The Fund shall assess each participating member an additional appropriate amount, as provided in the Fund By-Laws and plan of risk management or as directed by the Commissioner, to replenish the claims or loss retention or administrative accounts.
3. The Fund Commissioners shall submit to the Commissioner and the Commissioner of Community Affairs a report of the causes of the Fund's account insufficiency, the proposed assessments deemed necessary to replenish it and the step(s) taken to prevent a recurrence of such circumstances.
4. The members shall provide the additional assessments in accord with the provisions of the Local budget Law (NJSA 40A:4-1, et. seq.), or Local Authorities Fiscal Control Law (NJSA 40A:5A-1, et. seq.), as applicable.
5. 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.
6. 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.

C. Failure or Refusal to Provide Required Assessments (NJAC 11:15-3.17)

1. 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. Upon such notification, the Commissioner shall order the Fund or member to take such remedial action as he or she deems necessary.
2. 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 (NJAC 11:15-3.11)

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.

VIII. REFUNDS (NJAC 11:15-3.20)

- A. The Fund may seek to make refund payments from a claims or loss retention account remaining from any year which has been completed for at least 12 months by filing a notification of its intent to do so with the Department with appropriate documentation, including, but not limited to, an actuarial certification that the loss and expense reserves are adequate and that monies are available for release in accord with the By-Laws of the Fund.
- B. No retiree or other individual directly billed by the Fund for coverage including COBRA and conversion shall be eligible for refunds.
- C. A refund for any Fund Year shall be paid only 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.
- D. 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.
- E. The Fund Commissioners or Executive Committee (if any and as appropriate), may appropriate a portion of any refund with the appropriate contingency account subject to the provision of N.J.A.C. 11:15-3.13(b).

IX. FUND ACCOUNTS, INVESTMENTS AND DISBURSEMENTS

A. Establishment of Fund Accounts (NJAC 11:15-3.13 & 3.14)

- 1. **Depository of Monies** . 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. **Claims Account (NJAC 11:15-3.13 (a))**. Pursuant to the terms of the Trust and Indemnity Agreement, the Fund shall establish a claims fund account (in trust, if required), in accord with NJAC 11:15-3.6(b)(6) from which monies shall be disbursed solely for the payment of claims,

allocated claims expenses and stop loss insurance or reinsurance premiums retained jointly on a self-insured basis. The account(s) shall be designated as claims or loss retention accounts.

- a. No disbursements for any other purpose shall be made from this account(s) without the prior written approval of the Commissioner.
 - b. In the event the Fund directly bills retirees, individuals covered under COBRA or conversion 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. **Administrative Account (NJAC 11:15-3.14).** The Fund shall establish an Administrative Account, which shall be utilized for payment of the Fund's general operating expenses, including but not limited to, cost containment activities, data processing services and general legal expenses. The Fund shall not be required to establish a separate administrative account by each fund year due to its accounting of all transactions from the administrative account by fund year.
4. **Contingencies Account(s) (NJAC 11:15-3.13(b)).** The Fund may establish by resolution a separate fund account (in trust, if required) for contingencies and may include in the budget an assessment for this account.
 - a. The resolution shall provide a formula for the equitable assessment of members for this account, specifying the use(s) are limited to those that are consistent with NJAC 11:15-3.13(b)(2) and as provided at section X(A)(4)(d) of these By-Laws; and shall provide a formula for the equitable distribution and return of contingency funds to terminated or withdrawing members in the manner and time frames provided by NJAC 11:15-3.20 and these By-laws.
 - b. Pursuant to the terms of the Trust and Indemnity Agreement and NJAC 11:15-3.6(b)(6) and (7), the Fund shall maintain a separate contingency account for employer contributions and employee contributions for contributory or non-contributory group health insurance and life insurance (if offered).
 - c. In any one year of assessment, transfer or surplus or any combination of assessments for and transfers to a contingency account shall not exceed 2.5% percent of the Fund's current fiscal year earned income. The contingency account(s) of the Fund shall not exceed 10% of the current fiscal year income. The annual and aggregate limitations may only be increased upon prior written approval of the Commissioner.

- d. By resolution, the Fund may transfer funds from a contingency account to the claims or loss retention fund account(s) to pay claims, allocated claim expenses, and reinsurance and stop-loss premiums in a fund year which has an inadequate cash balance. The transaction shall be accounted for as a permanent transfer, and the Fund shall notify the Department within 30 days of any such transfer.
- e. In the event the Fund utilizes an amount equal to 2.5% or more of its current fiscal year income from a contingency account during its fiscal year, the Fund Commissioners shall, within 10 days of such utilization, submit to the Commissioner and the Commissioner of the department of Community Affairs a report on the causes of the utilization and the steps taken to prevent a recurrence of such circumstances.
- f. 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.

B. Investments (NJSA 40A:10-38 & NJAC 11:15-3.19)

- 1. The free balance of any account maintained by the Fund shall be invested to obtain the maximum interest return practicable. 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 Fund Commissioners may, subject to the cash management plan adopted by the Fund, delegate any of the functions, powers and duties relating to the investment and reinvestment of these funds, including the purchase, sale or exchange of any investment, securities, or funds to an investment or asset manager.
 - a. Any transfer of investment power and duties made pursuant to this subsection shall be detailed in a written contract for services between the Fund and the investment or asset manager.
 - b. The contract shall be filed with the Commissioner of Insurance and the Commissioner of Community Affairs.
 - c. Compensation under such an arrangement shall not be based upon commissions related to the purchase, sale or exchange of any investments, securities or funds.
- 3. In addition, the Fund Commissioners may upon written directions, signed by an authorized officer of the Fund (or by any investment or

asset manager designated by the Fund). transfer monies to the Director of the Division of Investment in the Department of the Treasury for investment on behalf of the Fund in accordance with standards governing other funds which are managed under the rules of the State Investment Council (NJAC 17:16, et. seq.). Any monies transferred to the Director for investment may not thereafter be withdrawn except under the conditions set forth in NJSA 40A:10-38b.

- a. The Fund Commissioners shall provide a written notice to the director detailing the extent of the authority delegated to the investment or asset manager, if so delegated by the Fund.
 - b. Moneys transferred to the Director for investment shall be invested subject to NJSA 40A:5-15.1 and in accordance with the standards governing the investments of other funds which are managed under the rules and regulations of the State Investment Council.
 - c. In addition to the types of securities in which the Fund may invest, the Fund is permitted to invest in debt obligations of federal agencies or government corporations with maturities not to extend 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that such investments are purchased through the Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.
 - d. Moneys transferred to the Director for investment may not be withdrawn, except: (1) pursuant to the written directions of the Fund Commissioners signed by an authorized officer of the Fund or by any investment or asset manager designated by them; (2) upon withdrawal or expulsion of a member local unit from the Fund; (3) termination of the Fund; or (4) in specific amounts in payment of specific claims, administrative expenses or member dividends upon affidavit of the Director or chief executive officer of the Fund.
4. 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.
 5. The investment and interest income earned by investment of the assets of the Administrative Account and Contingency Account shall be credited to that Account.

C. Fund Account Disbursements

1. **Certification (NJAC 11:15-3.18)** . 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. **Disbursements and Payments (NJAC 11:15-3.21)** .

- a. 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, thereof, unless approved pursuant to subsection X(C)(2)(b), et. seq. below.
 - b. To allow for the expeditious resolution of certain claims, the Fund Commissioners may designate the Fund's Administrator or Claims Servicing Organization as a "certifying and approving officer" as per NJSA 40A:5-17. The "certifying and approving officer" may be authorized by the Fund Commissioners to approve for payment any or specified types of claims not to exceed an amount approved by the Commissioner in the plan of Risk Management. The authority of the "certifying and approving officer" may be conditioned or restricted by the Fund Commissioners to require prior consultation, limitation as to the types or total amount of claims or payments which may be approved, or other procedures or restrictions as the Fund commissioners may deem appropriate. The authority of the "certifying and approving officer" may be revoked at any time by the Fund Commissioners
 - i. Upon approval, the "certifying and approving officer" shall certify the amount and particulars of the approved claims to the official having custody of the fund's assets, directing that a check for payment be prepared.
 - ii. 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 submitted to the Fund Commissioners at their next scheduled meeting, who shall review and approve the actions of the "certifying and approving officer". In the event a claim approved and paid by the "certifying and approving officer" is not approved by the Fund Commissioners, they shall direct appropriate action be taken.
3. 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.
 4. The default method of payment of claims shall be by check, signed by two persons designated by the Fund Commissioners/Executive Committee.

- a. The prior clause (4) notwithstanding, in the event a provider requests, communicates their assent to receive, or is mandated to electronically receive payment for their services, payment via such electronic fund transfer (in compliance with all state and federal authorities regarding such transfers) shall be deemed an acceptable method of the Fund's effecting payment.
5. 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.

X. Confidentiality of Claims (NJAC 11:15-3.6(e)(17) & NJAC 11:15-3.22)

- A. 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.
- B. 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.
- C. 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.
- D. 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 accomplished by assigning a blind claim number and deleting all references to the individual's name and place of employment. The claimant may demand that the matter be handled with disclosure of his identity by so indicating in writing to the Executive Committee.
- E. 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, Program Manager, Fund Attorney, or duly appointed claim auditors when such records are needed to verify the accuracy of claim data as part of an audit.
- F. Any person having access to claim information must sign a written non-disclosure statement.
- G. At all times, the Fund, its Commissioners, Executive Committee, officers, employees, agents and all Fund Professionals shall observe and comply with all aspects of patient confidentiality laws and requirements, including but not limited to the Health Information Portability and Accountability Act of 1996,

and as amended, and the Patient Protection and Affordable Care Act of 2010 and as amended.

XI. STOP-LOSS INSURANCE AND/OR REINSURANCE (NJAC 11:15-3.23)

- 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 or other entity authorized or admitted to provide such coverage in this State, pursuant to law.
- B. Certificates of stop-loss insurance and/or reinsurance showing policy limits and other information shall be available for inspection of each member and shall be filed with the Commissioner.
- C. Losses in excess of the established self-insurance retention amount shall be borne by the stop loss carrier(s) according to the terms and conditions of the contract(s).
- D. 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
- E. The Commissioner shall waive the requirement set forth in these By Laws at Section IX(A) pursuant to NJAC 11:15-3.23(e) when such stop-loss insurance or reinsurance is not commercially available or is unreasonably priced, as determined by the Fund's executive committee for each fund year, and as approved by the Department and the Department of Community Affairs, and the Fund otherwise demonstrates to the Commissioner that it has made adequate provision for excess losses.
 - 1. Any approval by the Department pursuant to NJAC 11:15-3.23(e) shall be for a period not to exceed either the longer of 12 months from the date of approval or the end of the next succeeding Fund year. Any extension of the period of approval shall require written notice provided by the Fund to the Department no later than 45 days prior to the expiration of the initial term of approval. The notification shall specify the basis upon which the Executive Committee has determined that the required stop-loss insurance or reinsurance is not commercially available or is not reasonably priced, and shall include all actions taken by the Fund to obtain the required stop-loss or reinsurance. The notification shall also describe actions taken by the Fund to provide for excess losses, including, but not limited to, the establishment of contingency reserves, funding above the level of expected losses, and a certification of the Fund's actuary that the retention is in accordance with sound actuarial principles.

XII. CONFLICT OF INTEREST - (NJAC 11:15-3.27) 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").

XIII. VOLUNTARY DISSOLUTION OF THE FUND (NJAC 11:15-3.12)

- A. The Fund may not voluntarily dissolve, or otherwise cease to do business and distribute its assets to its members, unless and until it satisfies the following requirements:
1. 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.
 - a. 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.
 2. A majority of the Fund Members must have voted in favor of a resolution to dissolve the Fund, pursuant to the Fund By-Laws and the written plan of dissolution prepared by the Executive Committee, at a meeting duly called for such purpose(s);
 3. 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.
 4. 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 a independent certified public accountant.
 5. 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. The plan of dissolution shall be filed with the Commissioner and the Commissioner of the Department of Community Affairs no later than 90 days prior to the proposed effective date of dissolution.

XIV. CLAIMS HANDLING PROCEDURE (NJAC 11:15-3.6(e)(16) & (e)(17))

A. New Jersey State Compliance:

1. The Claims Handling Procedure utilized by the Fund shall provide for the prompt, fair, equitable and confidential settlement of claims and which shall be administered in compliance with, but not limited to the "Unfair Claims and Settlement Practices Act" of N.J.S.A. 17B:30-13.1,

et. seq., and regulations of NJAC 11:2-7, and the Confidentiality of Claims regulations of NJAC 11:15-3.22.

2. In addition, pursuant to NJAC 11:15-3.6(e)(17), the claims complaint handling process utilized by the Fund shall provide for the confidentiality of claimant's identity in compliance with NJAC 11:15-3.22 including, but not limited to, procedures for the resolution of disputed claims operated and adjudicated by an independent organization or arbitrator, which shall be at no cost to the claimant.

- B. Federal Claims Handling Compliance: In recognition that the federal Health Insurance Portability and Accountability Act of 1996, as amended, and the Patient Protection and Affordability Care Act of 2010 (PPACA), as amended and supplemented by federal regulation address diverse aspects, including but not limited to, medical claims handling and appeals procedures, the Fund and all its designated officers, officials, Commissioners, Service and Fund Professionals, and in particular its Third Party Claims Administrator (TPA) shall at all times maintain compliance therewith.
- C. Registration and Identification: Covered individuals will have an identification card which will identify the covered individual, the name of the Fund, the name of the Third Party Administrator (TPA), the medical provider network(s) retained by the Fund (if any), and the TPA's phone number. Each covered individual shall receive a booklet describing the Fund's coverage(s), exclusions, limits, and claims and appeals procedures.
- D. Submission of Claims: Individuals or their medical provider(s) or the medical provider(s)' agent (as may be applicable), shall submit claim(s) for payment related to the provision of medical services to a Covered Individual either to the TPA or the medical networks as specified upon the Coverage Identification Card and Plan Booklet.
- E. Claims Verification: Upon receipt of the initial notice of claim, the TPA shall process the information in the following manner:
 1. Validate the individual has coverage through the Fund for the date(s) on which services were provided;
 2. Verify that the claim procedure(s) for which the claim has been submitted is a covered expense under the terms of coverage through the Fund;
 3. Calculate the eligible benefit amount and process for payment based upon the plan or benefits deductible, coinsurance, any cost containment features in the plan, and coordination of benefits (COB) factors;
 4. Retain a record of all claim submissions and subsequent handling;
 5. Pay valid claims or issue notice of rejection, accompanied by an Explanation of benefits (EOB), stating the basis of payment or rejection.

- F. Claims review: All claims shall be processed within the timeframes and procedures required under the federal Patient Protection and Affordable Care Act of 2010, as amended and all related regulations thereto, specifically including but not limited to 45 CFR 147.136, et. seq.
1. Otherwise, as a generality, all retrospective, non-urgent claims shall be adjudicated within 30 days; if there is reason for delay beyond the initial 30 days, the TPA shall issue a written notice prior to the 30 days, stating the reasons therefore and estimated time of adjudication; if the reason for delay is that additional information is required, the TPA shall issue a written notice prior to the end of the initial 30 days stating with specificity the missing information (the recipient shall have 45 days from the date of notice to provide such information, and the TPA shall have an additional 15 days to process the claim after receipt of the requested information within the 45 day time period).
 2. The TPA will provide a Claims Report to the Chairperson on a scheduled basis, not to be less than quarterly, in a format approved by the Fund Commissioners or Executive Committee (if any and as appropriate), which shall include but not be limited to: number of claims received in the reporting period, their gross value, the net amount paid by the Fund, number of claims adjudicated and turn-around time of adjudicated claims.
- G. Claim Payments: The TPA shall adjudicate all claims to resolution of denial or payment. The TPA shall process all claims eligible for payment to the level of payment authority as specified within the contract between the Fund and the TPA.
- H. Claims Appeal Procedures All claims appeals shall be processed within the timeframes and procedures required under the federal Patient Protection and Affordable Care Act of 2010, as amended and all related regulations, specifically applying 45 CFR 147.136(c) and all related guidance thereto.
1. Otherwise, as a generality, any covered individual or their representative may at any time ask the TPA to reconsider any claim or portion of a claim for which they believe benefits were erroneously processed or denied.
 2. The Fund shall provide for two levels of appeal, which shall comply with PPACA and applicable CMS regulations (i.e., 45 CFR 147.136, et. seq.), and the appeal process shall be stated with specificity in the plan booklet provided to covered individuals.
 3. It shall be a requirement that the initial appeal procedure be exhausted prior to entitlement to the second level appeal. It shall be a further requisite that all levels of appeal through the Fund be exhausted prior to the individual's use of any process or remedy provided by law.

XV. COMPLAINT HANDLING PROCEDURES (Other Than Disputed Claims)

- A. The Fund will acknowledge complaints submitted in writing to the Administrator or Chairperson of the Fund. The Administrator and/or Chairperson (as appropriate), shall cause a copy thereof to be communicated to the Fund Commissioners or the Executive Committee (if any) for consideration at their next regularly scheduled meeting, provided 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 Fund Commissioners or Executive Committee (if any) shall consider the complaint, and by recorded vote take such action as deemed appropriate.
- C. 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.

XVI. Examination of Fund (NJAC 11:15-3.25)

- A. The Commissioner may conduct an examination of the Fund as deemed necessary, or at any time the Commissioner has reasonable cause to believe the Fund may be insolvent or in financial condition detrimental to its members or the public. It shall be the duty of the Fund Commissioners or executive Committee (if any, and as appropriate), to notify the Commissioner of any information indicating that the Fund may be insolvent or be in a condition detrimental to the fund's members or the public.
- B. The Fund members, commissioners or executive Committee (if any and as appropriate), may, upon majority vote, request that the Commissioner order an examination of any Fund member which the Fund, the Fund Commissioners or Executive Committee (if any and as appropriate), in good faith believe may be in financial condition detrimental to the Fund, other Fund Members or the public.
- C. Any such examination shall be conducted in accord with the procedures set forth at NJAC 11:3.6(f).

XVII. MISCELLANEOUS

- 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, the member local unit shall immediately forward to the Fund Executive Director/Administrator 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 his 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. Bankruptcy or insolvency of the member local unit shall not relieve the Fund of any of its obligations.
- 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.
- G. **Conformance With Statute** : If any provision of these By-Laws shall be held or deemed to be or shall in fact be inoperative or unenforceable as applied in any particular case in any jurisdiction or in all cases because it conflicts with any other provision or provisions hereof or of any constitution, statute,

ordinance, rule of law or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision(s) herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses, sections or articles contained in these By-Laws shall not effect the remaining portions of these by-laws or any part thereof.

H. Fund Professionals

1. 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."
 - a. Administrator/Executive Director
 1. The Administrator shall serve as Executive Director of the Fund and shall be experienced in risk management matters and self-funded entities.
 2. The Administrator shall have the following duties and responsibilities:
 - a. The Administrator shall carry out the day-to-day policies established by the Fund and to otherwise supervise the Fund Professionals.
 - b. Prepare for approval of the Executive Committee and implement the Fund's operations manual and policy procedures manual.
 - c. Cause to be prepared the Fund's budget, compile and bill the monthly assessments.
 - d. Cause to be maintained 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.
 - e. Cause to be maintained the Fund's general ledger, accounts payable and accounts receivable functions.
 - f. Coordinate the Fund's meeting agendas, minutes, elections, contracts as well as maintain the Fund's official records and office.
 - g. Cause to be prepared all filings required by state regulators.
 - h. Attend all meetings of the Fund Commissioners.
 - i. Perform such other duties specified by the Fund in its manual of operations pertaining to the Executive Director.
 - j. Assume overall Executive responsibility for the operations of the Fund except that the administrator shall not be responsible for the errors and omissions of any other Servicing Organization with the directives of the Fund, their Service Provider Contract, or the applicable statutes and regulations as to the form and timeliness of said undertakings. For example, the Administrator shall be responsible to verify the

issuance of excess or reinsurance policies and the timely receipt of said policies by the Fund, however, the Administrator shall not be responsible for the content of the policies or the adequacy of the coverage.

3. The Administrator shall be bonded in a form and amount acceptable to the Commissioner. The Administrator 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.
- b. 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, N.J.S.A. 40A: 10-46 and N.J.A.C. 11:15-3.24. The Auditor shall also perform such other duties as provided by the Fund Commissioners, these Bylaws and the laws and regulations of the State of New Jersey. The Auditor shall not be a Fund Commissioner.
 - c. 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.
 - d. Attorney: The Attorney shall have the following responsibilities:
 1. The Fund Attorney shall be admitted to the Bar of the State of New Jersey and shall not be a Fund Commissioner.
 2. The Attorney shall advise the Fund on legal matters and the appropriateness of claim settlements recommended by the Claims Administrator, and if requested by the Administrator and/or Fund Commissioners, on operational matters of the Fund.
 3. 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. relating to the operation of this Fund.
 4. The Attorney shall advise the Fund on the selection of outside counsel to represent the Fund when appropriate.

5. The Fund Attorney shall represent the Fund, if and when requested, in all meetings with the Department of Banking and Insurance and all other governmental agencies.
 6. The Fund Attorney shall be responsible, when requested by the Fund, for negotiating, drafting, and oversight of all contracts, requests for Qualifications/Proposals authorized by the Fund.
 7. The Attorney shall perform such other duties as provided for by the Fund Commissioners, these Bylaws and the laws and regulations of the state of New Jersey including the representation of the Fund in legal proceedings where applicable.
- e. Treasurer: The Treasurer shall be a Certified Municipal Finance Officer and shall have the following duties and responsibilities:
1. The Treasurer shall be the Custodian of the Fund's assets and shall maintain the various fund accounts.
 2. The Treasurer shall approve all receipts, payments and financial records.
 3. The Treasurer shall cause to prepare the Fund's Cash Management Plan and shall invest all balances.
 4. 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.
 5. 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.
 6. 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. All professionals shall be retained on a contractual basis. Said contracts shall be approved by the Fund and submitted to the Commissioner and the Department of Community Affairs.
 3. The Fund may, in its discretion, appoint or retain such additional servicing organizations or professionals that it may deem necessary or prudent for the conduct of the Fund's business.

THUS DONE, READ AND PASSED by resolution of the governing body of each local unit participating in this Fund, such resolutions being appended hereto, hereby constitute the By-Laws of the Fund.

Signed: _____

Name: _____
Executive Director
Municipal Alliance Health Insurance Fund

Date: _____

Witness: _____

Name: _____

NOTARY PUBLIC (Seal)