

ASSEMBLY, No. 794

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblywoman FARRAGHER

1 AN ACT authorizing local units of government to self-insure for
2 certain purposes and regulating the business of administrators of
3 such self-insurance, amending N.J.S.40A:10-6 and N.J.S.40A:10-10
4 and supplementing chapter 10 of Title 40A of the New Jersey
5 Statutes.

6
7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:

- 9
10 1. N.J.S.40A:10-6 is amended to read as follows:
11 40A:10-6. Establishment of insurance fund; appropriations. The
12 governing body of any local unit may establish an insurance fund for
13 the following purposes:
- 14 a. To insure against any loss or damage however caused to any
15 property, motor vehicles, equipment or apparatus owned by it, or
16 owned by or under the control of any of its departments, boards,
17 agencies or commissions;
 - 18 b. To insure against liability resulting from the use or operation of
19 motor vehicles, equipment or apparatus owned by or controlled by it,
20 or owned by or under the control of any of its departments, boards,
21 agencies or commissions;
 - 22 c. To insure against liability for its negligence and that of its
23 officers, employees and servants, whether or not compensated or
24 part-time, who are authorized to perform any act or services, but not
25 including an independent contractor within the limitations of the "New
26 Jersey Tort Claims Act" (N.J.S.59:1-1 et seq.);
 - 27 d. To insure against health care expenses, including hospital,
28 medical, surgical, or dental expenses, prescription drugs, or other
29 health care expenses or any combination thereof, of the local unit's
30 employees or its employees' dependents, or both, on a contributory or
31 non-contributory basis.

32 The governing body may appropriate the moneys necessary for the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

- 1 purposes of this section.
2 (cf: N.J.S.40A:10-6)
3
- 4 2. N.J.S.40A:10-10 is amended to read as follows:
5 40A:10-10. Powers and authority of the commissioners. The
6 commissioners shall have the following powers and authority:
- 7 a. Employ necessary clerical assistants, whose compensation shall
8 be fixed and paid by the governing body of the local unit in the same
9 manner as is that of other employees of the local unit;
- 10 b. Invest the fund and all additions and accretions thereto in such
11 securities as they shall deem best suited for the purposes of this article;
- 12 c. Adopt rules and regulations for the control and investment of the
13 fund;
- 14 d. Keep on hand at all times sufficient money, or have the same
15 invested in such securities as can be immediately sold for cash, for the
16 payment of losses to any buildings or property of the local unit or of
17 a county college which participates in the fund pursuant to P.L.1988,
18 c.144 (C.18A:64A-25.40 et al.) or of a county vocational school which
19 participates in the fund pursuant to P.L.1988, c.143 (C.18A:18B-8 et
20 al.), or liability resulting from the operation of publicly owned motor
21 vehicles, equipment or apparatus or health care expenses of employees
22 or their dependents, or both;
- 23 e. Fix reasonable rates of premium for all insurance carried by the
24 insurance fund, and shall effect all insurance in the insurance fund or
25 with any insurance company or companies authorized to do business
26 in this State;
- 27 f. Premiums for insurance, whether carried in the insurance fund or
28 placed with insurance companies, shall be paid to the commissioners
29 by the board, commission, department, committee or officer having
30 charge or control of the property insured;
- 31 g. All insurance upon property owned or controlled by a local unit
32 or any of its departments, boards, agencies or commissions, or by a
33 board of education of a participating county vocational school or by
34 a board of trustees of a participating county college shall be placed
35 and effected by the commissioners. All insurance for health care
36 expenses of employees or their dependents, or both, of a local unit or
37 any of its departments, boards, agencies or commissions, or by a board
38 of education of a participating county vocational school or by a board
39 of trustees of a participating county college shall be placed and
40 effected by the commissioners;
- 41 h. If provided by the rules and regulations of the commission, the
42 secretary to the insurance fund commission shall be entrusted with the
43 daily operation of the insurance fund and shall submit a report to the
44 commissioners at least once a month;
- 45 i. If provided by the rules and regulations of the commission, the
46 daily operation of the insurance fund with respect to insurance for

1 health care expenses of employees or their dependents, or both, may
2 be entrusted to an administrator to which a valid certificate of
3 authority has been issued pursuant to section 14 of P.L. , c. (C.)
4 (now before the Legislature as this bill) pursuant to an agreement
5 entered into by the commissioners and the administrator, which
6 agreement and administrator have been approved by the Commissioner
7 of Insurance in connection therewith as provided in P.L. , c. (C.)
8 (now before the Legislature as this bill).

9 (cf: P.L.1988, c.143/144, s.5)

10

11 3. (New section) a. No local unit shall establish a self-insured
12 plan, as defined in section 4 of P.L. , c. (C.) (now before the
13 Legislature as this bill), or amend a self-insured plan until the
14 commissioner has certified that:

15 (1) The local unit has sufficient financial resources and reserves to
16 meet the needs of claimants; and

17 (2) The local unit has established a mechanism for the transfer of
18 the funds to the administrator, if any, which shall permit the
19 administrator to pay all approved claims as they become due and
20 payable in accordance with the claims payment schedule provided in
21 the written agreement between the local unit and the administrator.

22 b. The local unit shall annually, on the anniversary date of the
23 establishment of the self-insured plan, submit any and all documents
24 required by the commissioner for the purposes of this act to the
25 commissioner for his approval or disapproval.

26 c. A local unit shall submit to the commissioner a self-insured plan,
27 and any amendments thereto, for his approval or disapproval. The
28 plan and any amendments thereto shall become effective upon the
29 commissioner's written approval or at the expiration of 60 days after
30 submission if it has not been disapproved. If the commissioner
31 disapproves of all or any part of the proposed plan, he shall return it
32 to the local unit with a statement, in writing, of the reasons for his
33 disapproval and any recommendations he may wish to make. The local
34 unit may accept the commissioner's recommendations or submit a new
35 plan, which recommendations or plan shall be submitted to the
36 commissioner within 30 days after the return of a disapproved plan.
37 The plan or amendments thereto approved pursuant to this section
38 shall continue in force until amended or superseded by a plan
39 submitted by the local unit and approved by the commissioner
40 according to the provisions of this section.

41 d. The plan shall include, but shall not be limited to:

42 (1) A plan of risk management;

43 (2) A claims payment schedule which requires claims to be paid or
44 denied within 30 days of their submission;

45 (3) A procedure for the resolution of disputed claims, which shall
46 include the opportunity to be heard by a neutral third party and shall

1 include the suspension of collection activities while that claim is being
2 considered for resolution;

3 (4) A procedure for the transfer of funds from the local unit to the
4 administrator, if any, which funds shall be sufficient for the
5 administrator to pay claims as they become due;

6 (5) Provision for the annual publication of any formulae used in
7 determining annual premiums, estimates of future premiums and
8 premiums for retired employees;

9 (6) A mechanism for all interested parties, including but not limited
10 to the representatives of any recognized collective bargaining unit, to
11 inspect the books and records related to the operation of that plan by
12 the administrator and the local unit's funding of the plan; and

13 (7) A demonstration of sufficient reinsurance or other provision for
14 the cost of claims received in excess of expectations or if the funds for
15 the plan are exhausted.

16

17 4. (New section) As used in sections 5 through 19 of this act:

18 "Administrator" means a person who, with respect to self-insured
19 plans, directly or indirectly solicits or effects coverage of, underwrites,
20 collects charges or premiums from, or adjusts or settles claims on,
21 covered individuals of a local unit.

22 "Commissioner" means the Commissioner of Insurance.

23 "Covered individual" means an active or retired employee of a local
24 unit or his or her dependents, or both, covered by a self-insured plan.

25 "Department" means the Department of Insurance.

26 "Local unit" means a county or municipality or any departments,
27 boards, agencies or commissions thereof, or a board of education of
28 a county vocational school which participates in an insurance fund
29 pursuant to P.L.1988, c.143 (C.18A:18B-8 et al.) or by a board of
30 trustees of a county college which participates in an insurance fund
31 pursuant to P.L.1988, c.144 (C.18A:64A-25.40 et al.).

32 "Self-insured plan" means an insurance fund, or that portion of such
33 a fund, established to insure against health care expenses, including
34 hospital, medical, surgical, or dental expenses, prescription drugs, or
35 other health care expenses or any combination thereof, of a local unit's
36 employees or its employees' dependents, or both, on a contributory or
37 non-contributory basis, as provided in subsection d. of
38 N.J.S.40A:10-6.

39

40 5. (New section) a. No person shall act as the administrator of a
41 self-insured plan on behalf of any local unit without a valid certificate
42 of authority as an administrator issued by the commissioner in
43 accordance with section 14 of this act or without the approval of the
44 commissioner as the administrator for each type of self-insured plan
45 covered by this act prior to entering into a written agreement to
46 administer such a plan.

1 b. No local unit shall establish a self-insured plan nor amend such
2 a plan with an administrator unless the plan or amendment and the
3 written agreement between the local unit and the administrator
4 establishing that plan or making that amendment have been approved
5 by the commissioner in accordance with this act.

6
7 6. (New section) a. No administrator shall act as such without a
8 written agreement between the administrator and the local unit, which
9 written agreement shall be retained as part of the official records of
10 both the local unit and administrator for the duration of the agreement
11 and for five years thereafter. The agreement shall contain all
12 provisions required by this act, except insofar as those provisions do
13 not apply to the functions performed by the administrator.

14 b. The written agreement shall include a statement of duties which
15 the administrator is expected to perform on behalf of the local unit and
16 shall specify all the lines, classes or types of insurance which the
17 administrator is authorized to administer.

18 c. The written agreement shall include, but shall not be limited to:

19 (1) A plan of risk management;

20 (2) A claims payment schedule which requires claims to be paid or
21 denied within 30 days of their submission;

22 (3) A procedure for the resolution of disputed claims, which shall
23 include the opportunity to be heard by a neutral third party and shall
24 include the suspension of collection activities while that claim is being
25 considered for resolution;

26 (4) A procedure for the transfer of funds from the local unit to the
27 administrator, which funds shall be sufficient for the administrator to
28 pay claims as they become due;

29 (5) Provision for the annual publication of any formulae used in
30 determining annual premiums, estimates of future premiums and
31 premiums for retired employees;

32 (6) A mechanism for all interested parties, including but not limited
33 to the representatives of any recognized collective bargaining unit, to
34 inspect the books and records related to the operation of that plan by
35 the administrator and the local unit's funding of the plan; and

36 (7) A demonstration of sufficient reinsurance or other provision for
37 the cost of claims received in excess of expectations or if the funds for
38 the plan are exhausted.

39 d. The local unit or the administrator may, upon written notice,
40 terminate the written agreement for cause as provided in the
41 agreement. The local unit may suspend the underwriting authority of
42 the administrator during the pendency of any dispute regarding the
43 cause for termination of the written agreement. The local unit shall
44 fulfill any lawful obligations with respect to policies affected by the
45 written agreement, regardless of any dispute between the insurer and
46 the administrator.

1 e. A local unit shall submit to the commissioner the written
2 agreement, and any amendments thereto, for his approval or
3 disapproval. The agreement and any amendments thereto shall become
4 effective upon the commissioner's written approval or at the expiration
5 of 60 days after submission if it has not been disapproved. If the
6 commissioner disapproves of all or any part of the written agreement,
7 he shall return it to the local unit with a statement, in writing, of the
8 reasons for his disapproval and any recommendations he may wish to
9 make. The local unit may accept the commissioner's recommendations
10 or submit a new agreement, which recommendations or agreement
11 shall be submitted to the commissioner within 30 days after the return
12 of a disapproved agreement. The agreement or amendments thereto
13 approved pursuant to this section shall continue in force until amended
14 or superseded by an agreement submitted by the local unit and
15 approved by the commissioner according to the provisions of this
16 section.

17

18 7. (New section) a. If a local unit utilizes the services of an
19 administrator, the local unit shall be responsible for determining the
20 benefits, underwriting criteria and claims payment procedures
21 applicable to the coverage and for securing reinsurance, if any. The
22 rules pertaining to these matters shall be provided, in writing, by the
23 local unit to the administrator. The responsibilities of the
24 administrator as to any of these matters shall be set forth in the written
25 agreement between the administrator and the local unit.

26 b. It shall be the sole responsibility of the local unit to provide for
27 competent administration of its programs.

28 c. In cases where an administrator administers benefits for more
29 than 100 covered individuals on behalf of the local unit, the local unit
30 shall, at least semiannually, conduct a review of the operations of the
31 administrator. At least one such review shall be an on-site audit of the
32 operations of the administrator.

33

34 8. (New section) a. Every administrator shall maintain and make
35 available to the local unit complete books and records of all
36 transactions performed on behalf of the local unit. The books and
37 records shall be maintained in accordance with prudent standards of
38 insurance record keeping and shall be maintained for a period of not
39 less than five years from the date of their creation.

40 b. The commissioner shall have access to books and records
41 maintained by an administrator for the purposes of examination, audit
42 and inspection. Any trade secrets contained in such books and
43 records, including the identity and addresses of policyholders and
44 certificateholders, shall be kept confidential, except that the
45 commissioner may use that information in any proceeding instituted
46 against the administrator.

1 c. The local unit shall own the records generated by the
2 administrator pertaining to the local unit, except that the administrator
3 shall retain the right to continuing access to books and records to
4 permit the administrator to fulfill all of its contractual obligations to
5 covered individuals and the local unit.

6 d. If the local unit or the administrator cancel their agreement,
7 notwithstanding the provisions of subsection a. of this section, the
8 administrator may, by written agreement with the local unit, transfer
9 all records to a new administrator rather than retain them for five years
10 as otherwise provided in this section. In such cases, the new
11 administrator shall acknowledge in writing that it is responsible for
12 retaining the records of the prior administrator as required in
13 subsection a.

14
15 9. (New section) a. All insurance charges or premiums collected
16 by an administrator on behalf of or for a local unit, and the return of
17 premiums received from that local unit, shall be held by the
18 administrator in a fiduciary capacity. Those funds shall be immediately
19 remitted to the persons entitled to them or shall be promptly deposited
20 in a fiduciary account established and maintained by the administrator
21 in a federally insured financial institution. In addition to the
22 requirements of section 6 and any other requirements of this act, the
23 written agreement between the administrator and the local unit shall
24 provide for the administrator to periodically render an accounting to
25 the local unit detailing all transactions performed by the administrator
26 pertaining to the business underwritten by the local unit.

27 b. If charges or premiums deposited in a fiduciary account have
28 been collected on behalf of or for one or more local units, the
29 administrator shall keep records clearly recording the deposits in and
30 withdrawals from the account on behalf of or for each local unit. The
31 administrator shall keep copies of all the records and, upon request of
32 a local unit, shall furnish the local unit with copies of the records
33 pertaining to those deposits.

34 c. The administrator shall not pay any claim by withdrawals from
35 a fiduciary account in which premiums or charges are deposited.
36 Withdrawals from that account shall be made as provided in the
37 written agreement between the administrator and the local unit. The
38 written agreement shall address, but shall not be limited to, the
39 following:

- 40 (1) Remittance to a local unit entitled to remittance;
- 41 (2) Deposit in an account maintained in the name of the local unit;
- 42 (3) Transfer to and deposit in a claims-paying account, with claims
43 to be paid as provided for in subsection d. of this section;
- 44 (4) Payment to a group policyholder for remittance to the local unit
45 entitled to that remittance;
- 46 (5) Payment to the administrator of its commissions, fees or

1 charges, including any producer commissions paid by the administrator
2 or the local unit to a producer of record; and

3 (6) Remittance of return premium to the persons entitled to that
4 return premium.

5 d. All claims paid by the administrator from funds collected on
6 behalf of or for the local unit shall be paid only on drafts or checks of,
7 and as authorized by, the local unit.

8 e. The written agreement between the local unit and the
9 administrator shall provide that, if the local unit or the administrator
10 cancel their agreement, the administrator shall, upon written request
11 of the local unit, transfer all funds held on behalf of the local unit, and
12 any authority to administer those funds, to a new administrator as
13 directed by the local unit.

14

15 10. (New section) If a local unit uses the services of an
16 administrator, the payment to the administrator of any premiums or
17 charges for insurance by or on behalf of a covered individual shall be
18 deemed to have been received by the local unit, and the payment of
19 return premiums or claim payments forwarded by the local unit to the
20 administrator shall not be deemed to have been paid to the covered
21 individual, or paid to a health care provider on behalf of the covered
22 individual, as the case may be, until those payments are received by the
23 covered individual or the health care provider. Nothing in this section
24 shall limit any right of the local unit against the administrator resulting
25 from the failure of the administrator to make payments to the local
26 unit, covered individual or health care provider.

27

28 11. (New section) Notwithstanding any other provision of this act
29 to the contrary, a local unit shall not pre-fund or otherwise pay an
30 administrator an amount in excess of \$50,000 in advance for the
31 payment of claims of covered individuals unless the administrator
32 demonstrates, to the satisfaction of the commissioner, that the
33 administrator is financially able to pay those claims secured by the
34 pre-funded or advanced amount. The commissioner shall require as
35 evidence of that ability to pay those claims: (1) a bond issued by a
36 surety authorized to transact business in this State; (2) an irrevocable
37 letter of credit issued by a bank; or (3) the deposit with the
38 commissioner of securities, moneys, or other security acceptable to
39 him, in an amount not less than 25% of the amount the local unit is to
40 pre-fund or advance the administrator.

41

42 12. (New section) a. An administrator shall not enter into any
43 agreement or understanding with a local unit the effect of which is to
44 make the amount of the administrator's commissions, fees, or charges
45 contingent upon savings effected in the adjustment, settlement and
46 payment of losses covered by the local unit's obligations. This

1 provision shall not prohibit an administrator from receiving
2 performance-based compensation for providing hospital or other
3 auditing services.

4 b. This section shall not prevent the compensation of an
5 administrator from being based on premiums or charges collected or
6 the number of claims paid or processed.

7

8 13. (New section) a. When the services of an administrator are
9 utilized, the administrator shall provide a written notice approved by
10 the local unit to covered individuals advising them of the identity of,
11 and relationship between, the administrator and the local unit.

12 b. When an administrator collects funds, the reason for collection
13 of each item shall be identified to the insured party and each item shall
14 be shown separately from any premium. Additional charges may not
15 be made for services to the extent the services have been paid for by
16 the local unit.

17 c. The administrator shall disclose to the local unit all charges,
18 fees, and commissions received from all services in connection with
19 the provision of administrative services for the local unit, including (1)
20 any fees or commissions paid by an insurer providing reinsurance; and
21 (2) any producer fees or commissions paid, directly or indirectly, by
22 the administrator or the local unit, to a producer of record.

23

24 14. (New section) a. Applicants to be an administrator shall make
25 an application to the commissioner upon a form approved by him and
26 shall pay the application fee established by him pursuant to section 19
27 of this act. The application shall include or be accompanied by the
28 following information and documents:

29 (1) All basic organizational documents of the administrator,
30 including any articles of incorporation, articles of association,
31 partnership agreement, trade name certificate, trust agreement,
32 shareholder agreement or other applicable documents and all
33 amendments thereto;

34 (2) The bylaws, rules, regulations and other similar documents
35 regulating the internal affairs of the administrator;

36 (3) The names, addresses, official positions and professional
37 qualifications of the individuals who are responsible for the conduct of
38 affairs of the administrator, including all members of the board of
39 directors, board of trustees, executive committee or other governing
40 board or committee, the principal officers in the case of a corporation
41 or the partners or members in the case of a partnership or association,
42 shareholders directly or indirectly holding ten percent or more of the
43 voting shares of the administrator, and any other person who exercises
44 control or influence over the affairs of the administrator;

45 (4) Annual financial statements or reports for the two most recent
46 years and such information as the commissioner may require in order

- 1 to review the current financial condition of the applicant and determine
2 whether the applicant is solvent;
- 3 (5) A statement describing the business plan of the administrator
4 including information on staffing levels and activities proposed in this
5 State and nationwide. The plan shall provide details setting forth the
6 administrator's capability for providing a sufficient number of
7 personnel experienced and qualified in the areas of claims processing,
8 record keeping and underwriting; and
- 9 (6) Such other pertinent information as may be required by the
10 commissioner.
- 11 b. The applicant shall make available for inspection by the
12 commissioner copies of all contracts with other local units,
13 self-insurers or insurers utilizing the services of the administrator.
- 14 c. The commissioner may refuse to issue a certificate of authority
15 if the commissioner determines that the administrator, or any other
16 individual responsible for the conduct of affairs of the administrator as
17 defined in paragraph (3) of subsection a. of this section is not
18 competent, trustworthy, financially responsible or of good personal
19 and business reputation, or has had an insurance or insurance producer
20 or an administrator license or, certificate denied, suspended or revoked
21 for cause by any state.
- 22 d. A certificate of authority issued under this act shall remain valid,
23 unless surrendered, suspended or revoked by the commissioner, for so
24 long as the administrator continues in business in this State and
25 remains in compliance with this act.
- 26 e. An administrator shall immediately notify the commissioner of
27 any material change in its ownership, control or other fact or
28 circumstance affecting its qualifications for a certificate of authority
29 in this State.
- 30 f. No bonding shall be required by the commissioner of any
31 administrator except as provided in section 11 of this act.
32
- 33 15. (New section) a. Each administrator shall file an annual report
34 for the preceding calendar year with the commissioner on or before
35 March 1 of each year, or within such extensions of time therefor as the
36 commissioner, for good cause, may grant. The report shall be in the
37 form and contain such matters as the commissioner prescribes and
38 shall be verified by at least two officers of the administrator.
- 39 b. The annual report shall include the complete names and
40 addresses of all local units with which the administrator had an
41 agreement during the preceding fiscal year.
- 42 c. At the time of filing its annual report, the administrator shall pay
43 a filing fee as established by the commissioner pursuant to section 19
44 of this act.
45
- 46 16. (New section) a. The certificate of authority of an

1 administrator shall be suspended or revoked if the commissioner finds
2 that the administrator:

- 3 (1) Is in an unsafe or unsound financial condition;
4 (2) Is using methods or practices in the conduct of its business so
5 as to render its further transaction of business in this State hazardous
6 or injurious to covered individuals, local units or the public;
7 (3) Has failed to pay any judgment rendered against it in this State
8 within 60 days after the judgment has become final; or
9 (4) Has made material misrepresentations in the application for the
10 certificate of authority.

11 b. The commissioner may, in his discretion, suspend or revoke the
12 certificate of authority of an administrator if the commissioner finds
13 that the administrator:

- 14 (1) Has violated any rule or order of the commissioner or any
15 provision of the insurance laws of this State;
16 (2) Has refused to be examined or to produce its accounts, records
17 and files for examination, or if any of its officers has refused to give
18 information with respect to its affairs or has refused to perform any
19 other legal obligation as to such examination, when required by the
20 commissioner;
21 (3) Has, without just cause, refused to pay proper claims or
22 perform services arising under its contracts or has, without just cause,
23 caused covered individuals or health care providers to employ
24 attorneys or bring suit against the administrator to secure full payment
25 or settlement of such claims;
26 (4) Is affiliated with or under the same general management or
27 interlocking directorate or ownership as another administrator or
28 insurer which unlawfully transacts business in this State without having
29 a certificate of authority;
30 (5) At any time fails to meet any qualifications for which issuance
31 of the certificate of authority could have been refused had that failure
32 then existed and been known to the department;
33 (6) Has been convicted of, or has entered a plea of guilty or nolo
34 contendere to, a crime of the first, second or third degree without
35 regard to whether adjudication was withheld; or
36 (7) Is under suspension or revocation in another state.

37 c. The commissioner may, in his discretion, and without advance
38 notice or hearing thereon, immediately suspend the certificate of any
39 administrator if the commissioner finds that one or more of the
40 following circumstances exist:

- 41 (1) The administrator is impaired or insolvent;
42 (2) A proceeding for receivership, conservatorship, rehabilitation,
43 or other delinquency proceeding regarding the administrator has been
44 commenced in any state;
45 (3) The financial condition or business practices of the
46 administrator otherwise pose an imminent threat to the public health,

1 safety or welfare of the residents of this State.

2 d. If the commissioner finds that one or more grounds exist for the
3 suspension or revocation of a certificate of authority issued under this
4 section, the commissioner may, in lieu of such suspension or
5 revocation, impose a fine upon the administrator pursuant to rules
6 promulgated in accordance with section 20 of this act.

7

8 17. (New section) The declaration of insolvency or bankruptcy of
9 the administrator or the plan shall not relieve the local unit of its
10 obligations to pay any approved claim when due.

11

12 18. (New section) Any documents filed with the commissioner
13 pursuant to this act shall be deemed to be public documents and
14 available for inspection during normal business hours at the
15 department.

16

17 19. (New section) The commissioner shall, pursuant to the
18 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.)
19 promulgate the rules and regulations necessary to effectuate the
20 provisions of this act, including a schedule of any fees or penalties
21 required by this act.

22

23 20. This act shall take effect immediately.

24

25

26

STATEMENT

27

28 This bill allows a single local unit to self-insure for health benefits
29 for its employees and their dependents.

30 The bill also provides for the regulation by the Department of
31 Insurance of third party administrators of local unit self-insurance
32 funds established for the purpose of providing health benefits
33 coverages. In addition to other requirements under the bill, all
34 insurance charges or premiums collected by an administrator on behalf
35 of a local unit are to be held by the administrator in a fiduciary
36 capacity; and a local unit must not pre-fund or otherwise pay an
37 administrator an amount in excess of \$50,000 in advance for the
38 payment of claims of covered individuals unless the administrator
39 demonstrates to the Commissioner of Insurance that the administrator
40 is financially able to pay those claims. The commissioner must require
41 as evidence of that ability to pay claims: a bond, an irrevocable letter
42 of credit or a deposit of securities in an amount of not less than 25%
43 of the pre-funded amount.

44 The bill also provides that a local unit may not establish a
45 self-insured plan for health benefits unless it can demonstrate to the
46 Commissioner of Insurance that it has sufficient financial resources and

1 reserves to meet the needs of its claimants. In addition, the
2 self-insured health plan must be submitted to the commissioner for his
3 approval according to the requirements set forth in the bill. If the
4 local unit wishes to assign the responsibilities of a self-insured health
5 plan to an administrator, both the written agreement pursuant to which
6 the administrator will administer the self-insured health plan and the
7 administrator itself must be approved by the commissioner with
8 respect to that plan, as well.

9

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11

12

13 Authorizes local units to self-insure for employee health benefits
14 coverage and regulates administrators of such plans.