



Statewide Insurance Fund ByLaws

BYLAWS OF STATEWIDE INSURANCE FUND

WHEREAS: The Statewide Insurance Fund (hereinafter referred to as the "Fund") is a joint insurance fund consisting of New Jersey counties, municipalities and other local entities (hereinafter "local units"), which have joined together for the purpose of helping each member better serve its taxpayers by offering broad insurance coverage at competitive rates; and,

WHEREAS: N.J.S.A. 40A: 10-36, *et seq.*, permits local units to join together to form a joint insurance fund; and,

WHEREAS: The undersigned local units wish to join together as a joint insurance fund pursuant to N.J.S.A. 40A: 10-36, *et seq.*

NOW, THEREFORE, in order to create a joint insurance fund to be known as the Statewide Insurance Fund, it is hereby mutually understood and agreed by the undersigned local units as follows:

WHEREAS: The Statewide Insurance Fund, which was previously referred to as the Statewide Workers' Compensation Fund, wishes to expand the lines of coverage offered to its members and is modifying its Bylaws to reflect the broader coverage,

ARTICLE I

Name

1. The name of this group shall be the Statewide Insurance Fund, hereinafter called the "Fund". The principle place of business of the Fund is Statewide Insurance Fund c/o HRH/American Phoenix Corporation of Northern New Jersey, Greenbrook Corporate Center, 100 Passaic Avenue, CN 40003, Fairfield, New Jersey, 07004.

2. The name and addresses of the Charter Members of the Fund are as follows:

ANDOVER BOROUGH
P.O. BOX 630
ANDOVER, NJ 07821-0630
201-786-6688
201-786-7231 (FAX)
FUND COMMISSIONER: LISSA WALL, COUNCILWOMAN

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BOONTON TOWNSHIP
155 POWERVILLE ROAD
BOONTON, NJ 07005
(201) 402-4002
FUND COMMISSIONER: DOUGLAS R. CABANA, MAYOR

BRANCHVILLE BOROUGH
P.O. BOX 840
BRANCHVILLE, NJ 07826
201-948-4626
FUND COMMISSIONER: HAROLD TAYLOR, COUNCILPERSON

FRANKLIN BOROUGH
46 MAIN STREET
FRANKLIN, NJ 07416
201-827-9280
FUND COMMISSIONER: JAMES R. DOHERTY, CLERK ADMINISTRATOR

FREDON TOWNSHIP
443, RT. 94
NEWTON, NJ 07860
201-383-7025
FUND COMMISSIONER: ANTHONY ALBANO, MAYOR

FRENCHTOWN BOROUGH
BOROUGH HALL
SECOND STREET
FRENCHTOWN, NJ 08825
908-996-4524
FUND COMMISSIONER: BENJAMIN M. COOLEY, MAYOR

GREEN TOWNSHIP
28 KENNEDY ROAD, P.O. BOX 65
TRANQUILITY, NJ 07879
908-852-9333
908-952-1972 (FAX)
FUND COMMISSIONER: DAVID MULLEN, DEPUTY MAYOR

HACKETTSTOWN TOWN
215 STIGER STREET
HACKETTSTOWN, NJ 07840
908-852-3130
FUND COMMISSIONER: ROBERT MOORE, COUNCILPERSON

HAMBURG BOROUGH
6 WALLKILL AVENUE
HAMBURG, NJ 07419
201-827-9230
FUND COMMISSIONER: HUGH SNYDER

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HAMPTON TOWNSHIP
R.D. 10, BOX 10247
NEWTON, NJ 07860
201-383-5570
201-383-8969 (FAX)
FUND COMMISSIONER: E. JEROME ORR, CFO/TREASURER

HARDING TOWNSHIP
P.O. BOX 666
NEW VERNON, NJ 07976
201-267-8000
FUND COMMISSIONER: RICHARD C. WIEDMANN, CLERK

HARDWICK TOWNSHIP
43 SUNSET LAKE ROAD
BLAIRSTOWN, NJ 07825
908-362-9142
FUND COMMISSIONER: JOHN PAVLIK, COUNCILPERSON

HARDYSTON TOWNSHIP
P.O. BOX 787
STOCKHOLM, NJ 07460
201-697-4895
FUND COMMISSIONER: JOHN DYKSEN, ADMINISTRATOR

HOPATCONG BOROUGH
111 RIVER STYX ROAD
HOPATCONG, NJ 07843
201-770-1200
FUND COMMISSIONER: FRANK BASTONE, ADMINISTRATOR

HOPE TOWNSHIP
BOX 284
HOPE, NJ 07844
908-459-5011
FUND COMMISSIONER: M. JOHN KOONZ, DEPUTY MAYOR

LEBANON BOROUGH
P.O. BOX 436
LEBANON, NJ 08833
908-236-2425
FUND COMMISSIONER: LEONA BURTON, CLERK/TREASURER

MENDHAM TOWNSHIP
TOWNSHIP HALL, BOX 520
BROOKSIDE, NJ 07926
201-543-4555
FUND COMMISSIONER: STEPHEN ARTHUR, TREASURER

MORRIS TOWNSHIP

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CN 7603
CONVENT STATION, NJ 07961
201-326-7400
FUND COMMISSIONER: EUGENE DUNWORTH, ADMINISTRATOR

OGDENSBURG BOROUGH
14 HIGHLAND AVENUE
OGDENSBURG, NJ 07439
201-827-9602
FUND COMMISSIONER: MARGARET ALFANO, TREASURER

PEAPACK & GLADSTONE BOROUGH
SCHOOL STREET
PEAPACK, NJ 07977
908-234-2250
FUND COMMISSIONER: MARGARET J. GOULD, CLERK

READINGTON TOWNSHIP
105 RT. 523
WHITEHOUSE STATION, NJ 08889
908-534-4051
FUND COMMISSIONER: PEGGY HENDERSHOT, CLERK

ROXBURY TOWNSHIP
72 EYLAND AVENUE
SUCCASUNNA, NJ 07876
201-927-2000
FUND COMMISSIONER: GARY RIETH, CFO

SOMERVILLE BOROUGH
25 WEST END AVENUE
SOMERVILLE, NJ 08876
908-725-2300
FUND COMMISSIONER: RALPH D. STERNADORI, ADMINISTRATOR

STILLWATER TOWNSHIP
BOX 1
MIDDLEVILLE, NJ 07855
201-383-9484
FUND COMMISSIONER: ELLEN VAN STONE, CLERK

TEWKSBURY TOWNSHIP
268C WATER STREET
LEBANON, NJ 08833
908-832-5161
FUND COMMISSIONER: THEODORE G. KOVEN, MAYOR

WANTAGE TOWNSHIP
888 ROUTE 23

WANTAGE, NJ 07461
201-875-7192
FUND COMMISSIONER: MARY ANN SEEKO, ADMINISTRATOR

WARREN TOWNSHIP
46 MOUNTAIN BLVD.
WARREN, NJ 07059
908-753-8000
FUND COMMISSIONER: MARK M. KRANE, ADMINISTRATOR

WASHINGTON BOROUGH
100 BELVIDERE AVENUE
WASHINGTON, NJ 07882
908-689-3602
FUND COMMISSIONER: ALAN M. FISHER, ADMINISTRATOR

ARTICLE II

Purposes

The purposes of the Fund are:

1. To permit the local units joining herein to make a more efficient use of their powers and resources by cooperating on a basis that will be of mutual advantage; and
2. To provide a procedure for the development, administration, and a provision of Risk Management Plans, a joint self-insurance fund or fund, joint insurance purchases and related services for members and their employees for loss or damage from liability as established by N.J.S.A. 40A:10-36, *et seq.*

All expenditures by the Fund shall be in furthermore of these purposes.

ARTICLE III

Definitions

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

"Act" means New Jersey's Joint Insurance Fund Statute, N.J.S.A. 40A:10-36, *et seq.*

"Actuary" means a person who is a fellow in good standing of the Casualty Actuarial Society with three years recent experience in loss reserving or an associate in good standing of the Casualty Actuarial Society with five years recent experience in loss reserving.

"Administrator" means a person, partnership, corporation or other legal entity engaged by the Fund to act as executive director, to carry out the policies established by the Fund commissioners or Executive Committee and to otherwise administer and provide day-to-day management of the Fund. The

administrator may also be the lead agency, an employee of a Fund member or an independent contractor.

"Allocated Claims Expense" means attorney's fees, expert witness fees (i.e. engineering, physicians, etc.), medical reports, professional photographer's fees, police reports and other similar expenses.

"Chairperson" means the chairperson of the fund commission elected by the commission pursuant to N.J.S.A. 40A:10-37.

"Commissioner of Banking and Insurance" means the Commissioner of Banking and Insurance.

"Department of Banking and Insurance" means the Department of Banking and Insurance.

"Employer's Liability" means the legal liability of a public employer to pay damages because of bodily injury or death by accident or disease at any time resulting therefrom sustained by an employee arising out of and in the course of his employment by the public employer, which is not covered by a workers' compensation law.

"Excess Carrier" means an insurer that provides excess insurance or reinsurance to the Fund.

"Excess Insurance" means insurance, purchased from an insurance company authorized or admitted in the State of New Jersey or deemed eligible by the Commissioner of Banking and Insurance as a surplus lines insurer or from any other entity authorized to provide such coverage in this State pursuant to law, 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, or per accident, or annual aggregate basis.

"Executive Committee" means the committee of insurance fund commissioners provided in N.J.S.A. 40A:10-37.

"Fiscal Year" or "Fund Year" means the calendar year January 1 through December 31.

"Fund" means the Statewide Insurance Fund.

"Fund Commissioner"(or commissioner) means an individual appointed by a member local unit having the qualifications, powers, and duties outlined in these Bylaws.

"General Liability" means any and all liability which may be insured under the laws of the State of New Jersey, excluding workers' compensation and employer's liability.

"Hazardous Financial Condition" means that, based on its present or reasonably anticipated financial condition, a fund although not yet financially impaired or insolvent, is unlikely to be able:

1. To meet obligations to claimants with respect to known claims and reasonably anticipated claims; or
2. To pay other obligations in the normal course of business.

"Indemnity and Trust Agreement" means a written contract signed by and duly adopted by the members of the Fund under which each agrees to jointly and severally assume and discharge the liabilities of each and every party to such agreement arising from their participation in the Fund.

"Insolvent 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 owed by it or for the assets of which, a receiver or liquidator, however entitled, has been appointed by a court of competent jurisdiction and authority, after the effective date of this subchapter.

"Insurer" means any corporation, association, partnership, reciprocal exchange, inter-insurer, Lloyd's insurer or other person engaged in the business of insurance pursuant to subtitle 3 of Title 17 of the revised statutes.

"Intertrust Fund Transfer" means an actual transfer of funds from one claim or loss retention fund account in a fiscal year to another account within the same fiscal year.

"Interyear Fund Transfer" means the transfer of funds from a claim or loss retention trust account for a fiscal year, to a claim or loss retention trust account of similar risk or liability for a different Fund year.

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

"Local Unit" means any county, municipality, county college, county vocational school or other local entity authorized to join a joint insurance fund pursuant to N.J.S.A. 40A:10-36, *et seq.*

"Member" means a local unit which has become a participant in the Fund as either an initial member or a subsequent member.

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

"Official or Employee" of the Fund means such individuals, Officers, Commissioners or Trustees of the Fund for whom the Fund is obligated by law or contract to provide indemnification or reimbursement of legal or other expense for such claims or demands as may from time to time be made or arise from such individuals', Officers' or Commissioners' actions pertaining to the operation of the Fund.

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

"Property Damage" means any loss or damage, however caused, to property, motor vehicles, equipment or apparatus owned by the participating member or owned by or under the control of any of its departments, boards or agency or commissions.

"Reinsurance" means a contractual arrangement, as evidenced by a written agreement, whereby an insurer or other entity authorized to provide such coverage in this State pursuant to law, for some consideration, agrees to indemnify a joint insurance fund, for all or part of a loss which the joint insurance fund may incur under one or more coverages the joint insurance fund will provide.

"Risk Management Plan" means the plan, and activities carried out under the plan by the Fund to reduce risk of loss with respect to a particular line of insurance protection or coverage provided by the Fund pursuant to the Act and regulations promulgated pursuant to the Act, and these Bylaws.

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

"Servicing Organization" 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 function as designated by the Fund commissioners including, but not limited to, actuarial services, claims administration, cost containment services, loss prevention/safety engineering services, legal services, auditing services, financial services, compilation and maintenance of the Fund's underwriting file, coordination and preparation of coverage documents, risk selection and pricing, excess insurance or reinsurance producer services, which include producer negotiations on behalf of the Fund for excess insurance or reinsurance from an insurer, member assessment and fee development, report preparation pursuant to N.J.S.A. 40A:10-36 *et seq.* and this subchapter, and such other duties as designated by the Fund.

"Unpaid Claims" or "Unpaid Losses" means case reserves and reserves for incurred, but not reported claims, attributed to the Fund net of any recoverable per occurrence or aggregate excess insurance or reinsurance for a particular year.

"Workers' Compensation Law" means the provisions of N.J.S.A. 34:15-7, *et seq.*

ARTICLE IV

Membership

A. Agreement to join the Fund:

1. Pursuant to N.J.S.A. 40A:10-36, *et seq.*, the governing body of any qualified local unit may by resolution or ordinance agree to join the Fund. The resolution or ordinance shall provide for the execution of a written agreement which shall provide as follows:
 - a. The local unit accepts the Fund's Bylaws as approved and adopted pursuant to N.J.S.A. 40A:10-39.
 - b. The agreement shall specify the extent of the member's participation in the Fund with respect to the types of insurance coverage to be provided by the Fund and shall include the duration of Fund membership, which in no event shall exceed three (3) years pursuant to N.J.S.A. 40A:11-15(6).
 - c. The agreement shall include an executed Indemnity and Trust Agreement.
 - d. The agreement shall contain a certification by the local unit that it has never defaulted on claims, if self-insured, and has not been canceled for nonpayment of insurance premiums for a period of at least two years (2) prior to application.

B. Subsequent Membership:

1. Any local unit seeking membership shall submit an application for membership to the Fund Commissioners or Executive Committee, as applicable, on a form approved by the Commissioner of Banking and Insurance. The application shall include an executed Indemnity and Trust Agreement, a copy of the resolution of participation and other documentation required under Section A above, and any other documents required by the Commissioner of Banking and Insurance, the Department of Community Affairs or the Fund.

2. The Fund Commissioners or the Executive Committee may approve the application based upon the following criteria:
 - a. The applicant's five (5) year claims history shows safety performance consistent with the Fund's objectives and the applicant's operations, personnel, physical plant and claims history indicate a prospective likelihood of satisfactory future claim performance;
 - b. A safety inspection and/or evaluation conducted by the Fund's safety consultant or Administrator at the expense of the applicant shows the applicant meets the Fund's safety standards; and
 - c. The Fund has the administrative and financial capability to absorb additional memberships.
3. Any application approved by the Fund shall within fifteen (15) days of approval by the Fund, be filed with the Department of Banking and Insurance and the Department of Community Affairs and shall be accompanied by a revised budget with assessment detail, if otherwise required pursuant to the requirements of the Department of Banking and Insurance, an actuarial statement regarding the adequacy of the member's assessment to cover anticipated losses, and any amendments to the Fund's Bylaws and Risk Management Plan as may be necessary. In addition, the Fund shall file the following information with the Department of Banking and Insurance and the Department of Community Affairs within fifteen (15) days of the approval of a new member:
 - a. The name and address of the new member;
 - b. The effective date of coverage;
 - c. The name of the new member's risk manager;
 - d. The name of the new member's Commissioner and alternate;
 - e. The lines of coverage for which the new member participates;

- f. The amount of assessment, if not otherwise proved;
and
 - g. An affirmative statement from the Fund that in accepting the new member, an application has been filed, the Fund has adhered to its Bylaws and Risk Management Plan, and the agreement to participate and the Indemnity and Trust Agreement have been filed with the Fund.
- 4. Membership shall be for a period not to exceed three years with the expiration date to be established by the Fund Commissioners or Executive Committee, as appropriate.
 - 5. If a non-member is not approved for membership, the Fund shall set forth in writing the reasons for disapproval and send the reasons for disapproval to the non-member.
- C. Conditions of Membership: As a condition of membership, each member shall:
- 1. Actively participate in all Fund-sponsored safety programs and form a safety committee, if required by the Fund Commissioners or Executive Committee.
 - 2. Promptly pay all assessments, supplemental assessments, fee charges or other obligations arising out of or related to the member's participation in the Fund.
 - 3. Actively participate in all Fund-sponsored or directed meetings, programs or activities so as to ensure successful operation of the Fund.
- D. Risk Management Consultants:
- 1. Each member shall, if required by the Fund Commissioners or Executive Committee, provide for the services of an individual or firm to serve as the local unit's Risk Management Consultant. The Risk Management Consultant may not be an employee of a member local unit, or a Fund Commissioner or a member of the Executive Committee, and must be a producer pursuant to N.J.S.A. 17:22A-1. The Risk Management Consultant shall advise on matters relating to the Fund's operation and coverages. The Risk Management Consultant shall, in addition to such items as

may be included in such individuals' contract or agreement with the local unit, be governed by the following:

- a. The Risk Management Consultant shall be retained in conformance with applicable State Law or regulation.
- b. Risk Management Consultants shall be paid by the Fund a fee to be established annually by the Executive Committee. All agreements entered into with such Risk Management Consultants and any payments thereto, shall comply with N.J.S.A. 40A:5-1, *et seq.*, and 40A:11-1, *et seq.*
- c. Subject to the direction of the Executive Committee, the Risk Management Consultant's specific responsibilities shall include, but not be limited to:
 - (1) The evaluation of the members' exposures.
 - (2) The explanation of the various coverages available from the Fund.
 - (3) The preparation of applications, statements of values, etc., if required by the Fund.
 - (4) The reviewing of the member's assessment and assisting in the preparation of the member's insurance budget.
 - (5) The review of losses and engineering reports and providing assistance to the member's safety committee, if required.
 - (6) Assisting in the claims settlement process if requested by any carrier providing insurance coverage or claims servicing organization.
 - (7) Attendance at the majority of meetings of the Fund Commissioners or Executive Committee and the performance of such other services as required by the member of the Fund, if requested by the Fund Commissioners or Executive Committee.

E. Membership Renewals:

1. A member of the Fund that does not desire to continue as a member after the expiration of its membership term, as provided in the Fund's Bylaws, must give written notice of its intent to withdraw 90 days before expiration of the term period. A member of the Fund that did not approve any amendment to the Fund Bylaws approved pursuant to N.J.S.A. 40A:10-43, and desiring to withdraw from the Fund pursuant to N.J.S.A. 40A:10-43e, shall provide written notice of its intent to withdraw 90 days prior to its withdrawal. The Fund shall immediately notify the Department of Banking and Insurance and the Department of Community Affairs of all members that have given notice of withdrawal from the Fund.
3. For any member of the Fund that does not provide the 90 day notice of intent to withdraw, the Fund will consider it as the member's desire to continue as a member of the Fund even though the resolution and indemnity trust agreements have not been executed.
3. In order to deny a renewal of membership, the Fund or Executive Committee (as appropriate) shall find, by majority vote, that the member has failed to fulfill its responsibilities as a member or no longer meets the Fund's written safety standards or other objective criteria duly adopted.
4. If a member's renewal is rejected, the Fund shall comply with subsection F1, below.
5. Non-renewal of a Fund member does not relieve the member of responsibility for Fund obligations incurred during its period of membership.

F. Termination and/or withdrawal of Fund Members:

1. A member must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or Executive Committee for non-payment assessments, noncompliance with risk management or underwriting standards, or other reasons subject to

prior approval by the Commissioner of Banking and Insurance as reasons for termination. However, such member shall not be deemed terminated until:

- a. After thirty (30) days, written notice of the intention to terminate the member has been given by the Fund to the member, which notice shall state the reasons for termination and shall be given by registered mail or certified mail, return receipt requested.
 - b. Like notice shall be filed with the Department of Banking and Insurance together with a certified statement that the notice provided for above has been given.
 - c. Thirty (30) days have elapsed after the filing required by "b" above.
2. The Fund shall immediately notify the Department of Banking and Insurance and the Department of Community Affairs of all members that have given notice of withdrawal from the Fund.
 3. 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 and shall remain jointly and severally liable for the claims incurred by the Fund during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments.
 4. A member that has been terminated or does not continue as a member of the Fund must provide security in a form and amount acceptable to the Commissioner of Banking and Insurance, or Executive Committee as applicable, as a guarantee for the continued payment of the member's obligation.
 5. The Fund shall immediately notify the Department of Banking and Insurance 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 of Banking and Insurance and the Department of

Community Affairs of its plan to bring the Fund into compliance.

6. 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.

ARTICLE v

Organization

A. Commissioners:

1. Appointment:

- a. Commissioners: In the manner generally prescribed by law, each member local unit shall appoint one (1) Commissioner to the Fund. A Commissioner shall be a member of the local unit's governing body or one of its employees.
- b. Special Commissioner: In the event that the total number of member local units in the Fund is an even number, one (1) additional Commissioner shall be appointed annually by a member local unit on a rotating basis determined alphabetically. The Special Commissioner shall be a member of any member local unit's governing body, or one of its employees, and need not be associated in such manner with the appointing member.
- c. The member local unit's privilege to appoint the Special Commissioner shall remain with that member for one 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 Fund year.
- d. The participating members may also appoint alternate insurance Fund Commissioners, as generally prescribed by law. Each alternate insurance Fund Commissioner shall be a member of the governing body or employee of the member which

appoints the alternate. [Alternate Fund Commissioners] shall be subject to the same requirements of Section V(A)1 through (3) [shall serve in the absence of the local unit's Fund Commissioner.]

2. Terms of Office and Vacancy:

- a. All terms of office shall expire on January 1 or until a successor is duly appointed and qualified.
- b. Commissioners, other than the Special Commissioner, who are members of the appointing governing body shall hold office for two (2) years or for the remainder of their term of office as a member of the governing body, whichever shall be less and until their successors shall have been duly appointed and qualified. There shall be no limitation on the number of terms a Commissioner, who is a member of the appointing governing body, may hold office.
- c. Commissioners who are employees of the appointing member shall hold office at the pleasure of the member and can be removed by the member at any time without cause.
- d. The Special Commissioner, if any, shall serve until January 1 of the year following provided, however, that if the Special Commissioner is an employee of the appointing member, he/she may be removed by the appointing member at any time without cause.
- e. The unexpired term of a Commissioner, other than the Special Commissioner, shall be filled by the appointing member in the manner generally prescribed by law and these Bylaws.
- f. In the event of a vacancy of the Special Commissioner caused by reason other than the expiration of the term of office, the local unit which appointed the Commissioner shall appoint the replacement for the unexpired term.
- g. Any Commissioner can be removed from office for cause by two-thirds vote of the full membership of

the Fund Commissioners. Upon such a vote, it shall be incumbent upon the affected member to replace the Commissioner.

- h. Commissioners shall serve without compensation from the Fund except as provided by law.

3. Responsibilities:

- a. The Commissioners shall, as soon as possible after the beginning of the Fund year, meet to elect an Executive Committee who shall be charged with operating the Fund in accordance with these Bylaws and applicable State Law and Regulation.
- b. Each Commissioner shall have one vote provided, however that the Special Commissioner, if any, shall only vote in the event of a tie.

B. Officers and Executive Committee:

1. Officers: 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 1 of the following year, or until a successor is duly elected and qualified. The Commissioners may also elect alternates to each of the officers of the Executive Committee. The officers are as follows:
 - a. Chairperson: The Chairperson shall preside at all meetings of the Commissioners and shall perform such other duties provided for in these Bylaws and the laws and regulations of the State of New Jersey.
 - b. Vice Chairperson: The Vice Chairperson shall exercise the responsibilities of the Chairperson in such person's absence.
 - c. Secretary: The Secretary shall preside over the meetings of the Commissioners in the absence of the Chairperson and Vice Chairperson. Unless such responsibility is delegated to the Fund Administrator by the Fund Commissioners or Executive Committee, the Secretary shall have the responsibility to maintain minutes of the Fund's meetings, retain all books, records, files and other documents of the Fund, and shall perform such other duties as provided for in these Bylaws and the laws and regulations of the State of New Jersey.

The Secretary shall have the responsibility to maintain the books and records of the Fund at the office of the Fund as from time to time designated by the Fund Commissioners. If record keeping responsibility is delegated to the Fund Administrator, the Administrator shall maintain said records at a location known to and approved by the Fund and the Secretary shall, at all reasonable times, have access to the records.

2. Executive Committee:

If the total number of Commissioners exceeds seven (7), the Commissioners shall, at the same time as they elect the Chairperson, Vice Chairperson, and Secretary, elect four (4) additional Commissioners from among the membership of the Commissioners. These four (4) additional Commissioners shall serve with the Chairperson, Vice Chairperson, and Secretary as the Executive Committee for the Fund.

- a. In the event of a vacancy in any of the Executive Committee positions caused by other than the expiration of the term of office, the Executive Committee shall by majority of vote fill the vacancy for the unexpired term.
- b. Any Executive Committee member may be removed without cause at any time by a two-thirds vote of the full membership of the Commissioners. In this event, the full membership of the Fund Commissioners shall fill the vacancy for the unexpired term.
- c. The Committee member shall serve without compensation from the Fund except as provided by State Law.
- d. The Executive Committee is hereby empowered to operate the Fund in accordance with these Bylaws and applicable State Law and regulations. Pursuant to N.J.S.A. 40A:10-37, any reference in these Bylaws to an authority granted to the Commissioners may be exercised by the Executive Committee, unless contrary to the intent of the Bylaws, or by law, except the Commissioners shall elect the Officers and Executive Committee pursuant to Article V B.
- e. The Executive Committee members shall serve until January 1 of the following year, or until their successors are duly elected and qualified.

3. Executive Committee Alternates:

- a. The full membership of the Commissioners may elect three alternate Executive Committee members from among the Fund Commissioners. The alternates shall retain their status as alternates until January 1 of the following year according to the same terms and conditions established for Executive Committee members.
- b. Executive Committee Alternates shall serve in the absence of a Committee member during any meeting of the Fund during which such absence causes the number of Executive Committee members present to fall below that number which constitutes a quorum as provided by these Bylaws.
- c. The Executive Committee Alternates shall be in alphabetical order, and shall serve, when necessary and possible, on a rotating basis based on the alphabetical order.
- d. Alternates shall, during any meeting of the Fund at which their services are required, exercise the full authority granted to a Committee member by these Bylaws.

C. Retained Officials:

As soon as possible after the beginning of each year, the Fund Commissioners or Executive Committee shall meet and, by majority vote, retain individuals or firms to serve in the following retained positions. The retention of these contractually appointed positions shall be in conformity with the Local Public Contracts Law, N.J.S.A. 40A:11-1, *et seq.*:

1. Treasurer: The Treasurer shall not be a Commissioner nor serve on the Executive Committee. The Treasurer shall have the following duties and responsibilities:
 - a. The Treasurer shall be the custodian of the Fund's assets and shall maintain the various trust funds. The custodian of funds shall possess the

appropriate professional credentials as required by law.

- b. The Treasurer shall maintain on a daily basis all receipts, payments, and financial records including a comprehensive general ledger.
- c. The Treasurer shall prepare the Fund's Cash Management Program and shall invest all balances.
- d. The custodian shall report to the Fund Commissioners at least quarterly on investments and interest income and the costs of making all investments.
- e. The Fund shall provide for the Treasurer a fidelity bond protecting the Fund's assets in a form and amount to be determined annually by the Fund Commissioners or Executive Committee, as appropriate.

2. Administrator

- a. The Administrator shall be experienced in Risk Management matters and shall not be a member of the Executive Committee or Commissioner of the Fund.
- b. No Administrator of the Fund, or its employees, officers or directors shall be an employee, officer or director of, or have either a direct or indirect financial interest in, a servicing organization of the Fund, or the insurance producer that may be appointed by the Fund, unless notice of such interest has been provided to the Fund Commissioners and members.
- c. The Administrator shall have the following duties and responsibilities:
 - (1) The Administrator shall act as the executive director to carry out the policies established by the Fund Commissioners and to otherwise administer and provide for the day-to-day management of the Fund.

- (2) The Administrator shall advise the Commissioners on Risk Management matters and shall prepare a draft Risk Management Plan for approval by the Executive Committee.
- (3) The Administrator shall maintain underwriting data and advise the Fund with respect to self-insurance and the purchase of primary insurance, excess insurance or reinsurance.
- (4) The Administrator shall be responsible for securing insurance coverage on behalf of the Fund. The Administrator may be paid a commission for securing such insurance. If the Administrator is paid such a commission, this shall be disclosed to the Executive Committee. If the Administrator serves as the Fund's Produce, he or she must possess the appropriate licenses.
- (5) The Administrator shall prepare specifications for services including but not limited to claims administration, safety engineering, and actuarial projections in accordance with the law.
- (6) The Administrator shall monitor the performance of the service companies.
- (7) The Administrator shall prepare a draft budget for review by the Fund Commissioners or Executive Committee, as appropriate.
- (8) The Administrator shall, as required by law, provide the Fund Commissioners or Executive Committee with a Fund status report including but not limited to the minutes of Fund meetings, a summation of Fund activity and comments on previously and newly reported claims.
- (9) The Administrator shall perform such other duties as provided for by the Fund Commissioners or Executive Committee, these Bylaws, and the laws and regulations of the State of New Jersey.

- d. The Fund shall provide for the Administrator a fidelity bond protecting the Fund's assets in a form and amount acceptable to the Commissioner of Banking and Insurance. The Administrator shall also be covered by Errors and Omissions insurance.
3. Auditor: The auditor shall be an independent Certified Public Accountant (CPA) or a Registered Municipal Accountant (RMA), but shall not be a Fund Commissioner. The Auditor shall conduct the annual and semi-annual audits of the Fund and shall perform such other duties as provided for by the Fund Commissioners or Executive Committee, these Bylaws and in the laws and regulations of the State of New Jersey.
4. Attorney:
 - a. The attorney shall be admitted to the New Jersey Bar but shall not be a Fund Commissioner or serve on the Executive Committee.
 - b. The Attorney shall have the following responsibilities:
 - (1) The Attorney shall advise the Fund Commissioners and/or Executive Committee on legal matters.
 - (2) The Attorney shall perform such other duties as provided for by the Commissioners and Executive Committee, these Bylaws, or the laws and regulations of the State of New Jersey.
 - (3) The Attorney shall be covered by Errors and Omission Insurance.
5. Service Agent: The Fund shall designate and appoint an agent in New Jersey to receive service of process on behalf of the Fund. The Service Agent shall not be a Fund Commissioner or serve on the Executive Committee.
6. Vacancy of Retained Official:
 - a. In the event of a vacancy in any one of the appointed positions caused by other than the

expiration of the term of office, the Fund Commissioners (or Executive Committee) shall by majority vote fill the vacancy for the unexpired term. In the event that any of the appointed officials is incapacitated, the Fund Commissioners (or Executive Committee) shall by majority vote appoint an acting official.

- b. All retained officials shall be retained on a contractual basis which shall be approved by the Fund Commissioners or Executive Committee and submitted to the Commissioner of Banking and Insurance.
7. Any retained official shall serve at the pleasure of the Fund Commissioners or Executive Committee and may be removed by majority vote of the Fund Commissioners or Executive Committee at any time without cause.
 8. Retained officials shall be compensated for their services pursuant to written fee guidelines submitted annually and approved by a majority of the Fund Commissioners or Executive Committee.
 9. Lead Agency:
 - a. The Fund may utilize the services of a member to serve as a lead agency for the Fund. The lead agency may agree to perform such duties and have such responsibilities as the Fund Commissioners may determine and assign, including but not limited to those of the Executor Director or custodian of funds.
 - (1) The lead agency may be compensated for its reasonable expenses incurred in administering the affairs of the Fund. Any administrative costs agreed upon to be paid to a lead agency shall be received by it as a miscellaneous revenue and be available for expenditure through the budget appropriation method.
 - (2) A lead agency shall not advance funds of its own to cover a purchase on behalf of the Fund or other participating units.

ARTICLE VI

Indemnification of Officers and Employees

1. The Servicing Organizations, if any, and Administrator, shall provide Errors & Omissions coverage in a form satisfactory to the Fund Commissioners or Executive Committee.
2. The servicing organizations shall produce evidence of Errors and Omissions coverage, and such other insurance coverages as required pursuant to their contracts, as a condition of appointment or 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, official or employee of the Fund 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 reasonable costs and expenses incurred in defending such claims. Nothing contained herein shall require the Fund to pay punitive damages or exemplary damages or 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 by 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 a majority vote of the Fund Commissioners or Executive Committee, as appropriate. Nothing herein contained is intended to shield any employee or appointed official from liability for any act, omission or wrongdoing which would not customarily be covered by Errors & Omissions insurance if same had been required of said employee or appointed official.

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 twenty (20) calendar days of the time he or she is served with the summons, complaint, process, notice or pleading, he or she delivers the original or exact copy to the Fund attorney, together with a request that the Fund provide for his or her defense.
 - b. 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 a 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 reasonable costs and expense 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.

ARTICLE VII

Safety Committee

- A. Membership: If required by the Fund Commissioners or Executive Committee, each member local unit's governing body shall appoint an employee of the local unit to serve on the Fund's Safety Committee. Each member's governing body shall also select an alternate, and each member and alternate on the Safety Committee shall serve at the pleasure of the appointing governing body. The Safety Committee may also request additional members to join the Committee.
- B. Organization: At the beginning of each year, the Safety Committee shall select a Chairperson, a Vice Chairperson, and a Secretary.
- C. Duties: The Safety committee shall meet according to the schedule established by the Chairperson and shall have the following duties or responsibilities:
1. Work with the safety engineering service organization to develop a comprehensive safety and loss control program.
 2. Review all accident reports and monitor accident trends and frequencies.
 3. Coordinate the annual safety inspections and identify locations requiring more frequent inspections.
 4. Conduct safety education programs.
 5. Review the activities of each member local unit's Safety Committee and notify the Fund Commissioner or Executive Committee if any member is not conducting an active safety program.
 6. Perform such other duties that are requested by the Fund Commissioner or Executive Committee or as are provided for by State regulation and law.

ARTICLE VIII

Operation of the Fund

A. General Operation:

1. The Fund shall be subject to and operate in compliance with the provisions of the "Local Fiscal Affairs Law" (N.J.S.A. 40A:5-1, *et seq.*) and the "Local Public Contracts Law" (N.J.S.A. 40A:11-1, *et seq.*) and various statutes authorizing the investment of public funds, including but not limited to N.J.S.A. 40A:10-10(b), and such other laws as may be applicable to the Fund.
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 in a prudent and careful fashion to assure that all obligations will be promptly met. The Fund shall prepare a financial statement on a form acceptable to the Commissioner of Banking and Insurance showing the financial ability of the Fund to meet its obligations. The Fund shall have an annual certified audit, and, as necessary, shall obtain an actuarial opinion statement on loss reserves as required by the regulations of the Commissioner of Banking and Insurance. The members or Executive Committee may, upon majority vote, request the Commissioner of Banking and Insurance to order an examination of any Fund member which the Fund Commissioners or Executive Committee in good faith believe may be in a financial condition detrimental to other Fund members or to the public.
4. The Commissioner of Banking and Insurance may conduct an examination of the Fund as he or she deems necessary, or at any time the Commissioner has reasonable cause to believe the Fund may be insolvent or in a financial condition detrimental to its members or to the public. It shall be the duty of the Fund members, Fund Commissioners, Executive Committee, Administrator and Chairperson to notify the Commissioner of Banking and Insurance of any information indicating that the Fund may

be insolvent or in a financial condition detrimental to the Fund's members or the public.

5. The Fund shall be developed and operated in accordance with accepted and sound actuarial principles.
6. All monies, assessments, funds and other assets of the Fund shall be under the exclusive control of the Fund Commissioners or Executive Committee as appropriate.
7. Any expenditure of the Fund shall be in furtherance of the Fund's purpose.
8. Prior to any commitment or agreement requiring the expenditure of funds by the Fund, the custodian of the fund's assets shall certify the availability of sufficient unencumbered funds in the account to fully pay all changes or commitments to be accepted.
9. The Fund's fiscal year shall be January 1 to December 31.

B. Notice and Hearing:

1. The Commissioner of Banking and Insurance shall give prior written notice of any proposed suspension or revocation of authority, cease and desist order, or other enforcement action to the Fund Commissioners, Executive Committee, or Local Unit as the case may be, or to any person to whom the proposed enforcement action applies specifically. Such notice shall be served personally or by certified or registered mail upon all interested parties, shall set forth the grounds for the proposed enforcement action and shall inform the interested party of its right to request a hearing on the proposed enforcement action. A copy of said written notice shall also be provided to the Commissioner of the Department of Community Affairs.
2. The interested party involved shall have 20 days from the mailing of the Notice to request a hearing, on the proposed enforcement action. Such a hearing shall be conducted in accordance with the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1. Failure to mail a request for a hearing within the time prescribed shall result in the suspension, revocation, monetary

penalty or cease and desist order becoming effective 30 days from issuance of the original notice. In no event shall any revocation become effective prior to the date that a hearing is scheduled.

C. Orders:

1. After notice and opportunity for a hearing, as provided in N.J.A.C. 11:15-2.28, the Commissioner of Banking and Insurance may issue an order revoking or suspending the Fund's authority or requiring the Fund to cease and desist from engaging in an act or practice to be in violation of any provision of N.J.S.A. 40A:10-36 et seq. or this subchapter.
2. Upon a finding, after notice and opportunity for a hearing, as provided at N.J.A.C.11:15-2.28, that the Fund has violated any cease and desist order, the Commissioner of Banking and Insurance may revoke his or her approval of the Fund.
3. Upon a finding, after notice and opportunity for a hearing, as provided at N.J.A.C. 11:15-2.28, the Commissioner of Banking and Insurance may issue an order requiring the Fund Commissioners, or the Executive Committee, to dismiss the Administrator or a servicing organization or terminate the service contract of the Administrator or servicing organization because of any fraud, material misrepresentation, incompetence or untrustworthiness, misappropriation or conversion of monies or violation of any fiduciary responsibility by the Administrator or servicing organization, or any of the employees, officers or directors thereof.
4. A copy of any notice issued pursuant to this section shall be furnished to the Commissioner of the Department of Community Affairs.

D. Risk Management Plan:

1. The Fund Commissioners or Executive Committee shall prepare or cause to be prepared a Plan of Risk Management for the Fund. The program shall include, but not be limited to:
 - a. The perils or liability to be insured against.

- b. Limits of coverage, whether self-insurance, direct insurance purchased from a commercial carrier or reinsurance.
 - c. The amount of risk to be retained by the Fund.
 - d. The amount of unpaid claims to be established.
 - e. The proposed method of assessing contributions to be paid by each member of the Fund.
 - f. Procedures governing loss adjustment and legal fees.
 - g. Coverage to be purchased from a commercial insurer or excess insurer, if any.
 - h. Reinsurance to be purchased, if any, and the amount of premium therefor.
 - i. Procedures for closure of Fund years, including the maintenance of all relevant accounting records.
 - j. The assumption and methodology used for the calculation of appropriate reserves required to be established, maintained and administered in accordance with sound actuarial principles.
 - k. The maximum amount a certifying and approving officer may approve for payment pursuant to N.J.A.C. 11:15-2.22.
 - l. Such other items required by state law, regulation or the Executive Committee.
2. The Risk Management Program and all amendments thereto must be approved by the Fund Commissioners or Executive Committee before they take effect.
 3. The Risk Management Program and all amendments thereto must be approved by the Commissioner of Banking and Insurance and Community Affairs before the Plan or amendments become effective.

E. Servicing Organizations:

1. The Fund may contract to have services performed including but not limited to the following:
 - a. Claims administration.
 - b. Safety Engineering.
 - c. Compilation of statistics and the preparation of assessments, loss and expense reports.
 - d. Preparation of reports required pursuant to N.J.S.A. 40A:10-36, *et seq.*, or any regulations and/or rules of the New Jersey Department of Banking and Insurance, including but not limited to N.J.A.C. 11:15-2.
 - e. Development of members' assessments and fees.
 - f. Actuarial Services.
2. Except with prior notice to and approval of the Fund Commissioners (or Executive Committee), no servicing organizations or its employees, officers or directors shall have either a direct or indirect financial interest in the Administrator or be an employee, officer or director of the Administrator.
3. Each service contract shall providing claims adjustment and administration services include a clause stating "unless the Fund Commissioner otherwise permits, the servicing organization shall handle to their conclusion all claims and other obligations incurred during the contract period".
4. Each Servicing Organization shall provide a Surety Bond and Errors and Omissions coverage in a form and amount acceptable to the Fund Commissioners or Executive Committee or as provided elsewhere in these Bylaws or state law or regulation. The sufficiency of said surety coverage and Errors and Omission coverage is the final decision of the Commissioner of Banking and Insurance.

5. The Fund Commissioners shall notify the Department of Banking and Insurance and the Department of Community Affairs within ten (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 claims handling and other obligations performed by the servicing organization will be provided or a statement that sets forth the reasons why the Fund Commissioners believe that the particular service is no longer necessary.
6. The Fund may contract with a commercial insurance carrier to perform some or all of the services described in VIII (C)(1) above.

F. Financial Statement and Reports:

1. The Fund shall provide its members with periodic reports concerning the activities and status of the Fund for the reporting period. Such reports shall be made at least quarterly and may be made more frequently at the discretion of the Fund Commissioners or Executive Committee. In addition, these reports shall be made available to the Department of Banking and Insurance on request or for review during any examination of the Fund. These reports shall include, but not be limited to, the minutes, the Executive Committee's or 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 Executive Committee.
2. A sworn annual report in a form prescribed by the Commissioner of Banking and Insurance shall be prepared by the Fund, filed concurrently with the Department of Banking and Insurance and the Department of Community Affairs, and made available to each Fund member on or before June 30 of each 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

N.J.S.A. 40A:10-46, *et seq.*, which shall include a statement of the organization of the Fund indicating the persons who perform each function for the Fund and relationship and interdependency of each function and including its balance sheet and revenue and expense for the proceeding year.

- b. Reports of outstanding liabilities by line of coverage showing the number of claims, amounts paid to date and current reserves for unpaid losses, claims and unearned assessments as certified by an Actuary.
 - c. A certification by the Chairperson or Administrator that periodic reports were made to the Fund members in the form and manners required by N.J.A.C. 11:15-2.4(i).
 - d. Any material changes in information from that previously submitted.
 - e. Such other information as may be required by the Department of Banking and Insurance and/or the Department of Community Affairs.
3. In addition to the reports required pursuant to No. 2 above, for the initial two (2) fiscal years of the Fund, the Fund shall file with the Department of Banking and Insurance quarterly unaudited statements of the financial condition of the Fund in a form acceptable to the Commissioner of Banking and Insurance within sixty (60) days after the end of each calendar quarter. After the initial two (2) years, the Fund shall file with the Department of Banking and Insurance semi-annual unaudited statements of the financial condition of the Fund in a form acceptable to the Commissioner of Banking and Insurance within sixty (60) days after the end of each six-month period ending December 31, and shall include a compilation of the results reported in the semi-annual report for the period ending June 30 immediately preceding. All statements filed pursuant to this subsection shall include the information set forth in No. 2 above, except that a certification by a certified public accountant, registered municipal accountant, or the actuarial opinion statement shall not be required.

G. Coverages: The Fund may offer to members the following coverages on either a self-insured basis or through the purchase of commercial insurance or reinsurance:

1. Workers' Compensation and Employers' Liability. The Workers' Compensation benefits levels will equal those required by the Workers' Compensation law and other applicable statutes.
2. Liability (as defined by the Risk Management Plan).
3. Property Damage.
4. Excess Insurance.

Each member shall participate in at least one of the above lines of coverages.

Claims in excess or beyond the scope of coverage limits, excess insurance or reinsurance, if purchased by the Fund, are the responsibility of the individual members and not the Fund. With respect to any liabilities incurred by members, the Fund's sole obligation shall be to purchase insurance, or provide self-insurance, in accordance with the Risk Management Plan.

H. Workers' Compensation Self-Insurance Requirements: The Fund shall:

1. Guarantee benefit levels equal to those required by the workers' compensation law and otherwise applicable statutes and provide a plan for the prompt payment of such benefits. Information documenting an individual member's financial strength and liquidity shall be made available to the Department of Banking and Insurance upon the Department of Banking and Insurance's written request and in a form specified by the Department of Banking and Insurance.
2. Mandate a minimum contribution of at least \$250,000 for the Fund's first year of operation and thereafter a minimum contribution shall be at least \$500,000 for each subsequent year of the operation unless otherwise approved by the Commissioner of Banking and Insurance.
3. Unless otherwise approved by the Commissioner of Banking and Insurance, provide for assessments based upon the

Experience Rating Plan provided for in the New Jersey Workers' Compensation and Employer's Liability Insurance Manual on file with the Commissioner of Banking and Insurance.

ARTICLE IX

Meetings and Rules of Order

A. Meetings:

1. Annual Organization Meeting: As soon as possible after the beginning of the Fund year, the Fund Commissioners shall meet to elect officers and, when appropriate, an Executive Committee as set forth in Article V(B), and conduct such other business as is necessary. The time and place for the meeting shall be established by the Chairperson of the Fund Commissioners or Executive Committee, and the Secretary thereof shall send written notice to the participating members at least two (2) weeks in advance.
2. Regular Meetings: The Fund Commissioners or Executive Committee shall establish a schedule of regular meetings to conduct the business of the Fund. There shall be a minimum of one meeting per year scheduled. All Fund Commissioners may attend open or closed sessions of the Executive Committee.
3. Special Meetings: The Chairperson of the Fund Commissioners or Executive Committee, 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 Executive Committee) by telephone. If the Secretary is unable to reach a member(s) as of forty-eight (48) hours before the meeting, the Secretary shall telephone one or more alternates as may be required to achieve a quorum as defined by the Bylaws. The alternates shall be called in alphabetical order.
4. Quorum: The quorum for full Fund Commissioners meeting shall be as follows:
 - a. A majority of the total commissioners unless the total number of members exceeds 25.

- b. If the total membership 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 higher number.
- c. A quorum for Executive Committee meetings shall be a majority of the total committee.

B. Conduct of Meetings:

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

C. Amendments to the Bylaws:

1. Any Fund Commissioner may propose an amendment to the Bylaws by filing the proposed amendment in writing with the Secretary.
2. Upon receipt of a proposed amendment, the Secretary shall notify the Chairperson who shall schedule a hearing to be held not more than forty-five (45) days from the date the amendment was filed. The Secretary shall notify in writing all Fund Commissioners and the Executive Committee of the hearing date and shall send copies of the proposed amendment to each Fund Commissioner and members of the Executive Committee.
3. The amendment is adopted by the Fund when three-fourths of the governing body of the participating members approve the amendment within six (6) months of the hearing on the amendment. In the event N.J.S.A. 40A:10-43 is amended, the procedure and vote required by said statute as amended shall control. If after six (6) months the Secretary has not received written notice of approval from sufficient members, the Secretary shall notify the Fund Commissioners and Executive Committee that time has expired for the adoption of the amendment.
4. If adopted, the amendment shall not take effect until approved by the Commissioner of Banking and Insurance and the Commissioner of the Department of Community Affairs.

5. A member of the Fund that did not approve any amendment to the Fund Bylaws approved pursuant to N.J.S.A. 40A:10-43, and desiring to withdraw from the Fund pursuant to N.J.S.A. 40A:10-43(e), shall provide written notice of its intent to withdraw ninety (90) days prior to its withdrawal. The Fund shall immediately notify the Department of Banking and Insurance and the Department of Community Affairs that the member has given notice to leave the Fund.
6. A member which did not approve the amendment may withdraw from the Fund pursuant to No. 5 above provided that it shall remain liable for its share of any claim or expense incurred by the Fund during its period of membership.

ARTICLE X

Budgets

A. Budget Preparation:

1. In November of each year, the Fund Commissioners shall prepare the proposed budget for the upcoming fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations in the aggregate and allocated by member, the anticipated amounts and sources of assessments and other income to be received during the fiscal year and the status of the self-insurance or loss retention accounts maintained by the Fund.

The budget shall be prepared on a basis that does not recognize investment income or discounting of claim reserves, but recognizes all anticipated or forecasted loss and administrative expenses associated with that fiscal year.

B. Budget Adoption:

1. Not later than December 31 of each year the Fund Commissioners or Executive Committee shall adopt by majority vote the budget for the Fund's operation for the coming fiscal year.

2. A copy of the Fund's proposed budget shall be sent to each member and the Commissioner of Banking and Insurance 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 members the opportunity to present comments or objections.
3. An adopted budget may be amended by majority vote of the membership of the Fund Commissioners or the Executive Committee.
4. A copy of the adopted budget shall be filed with the governing body of each member, the Commissioner of Banking and Insurance, and the Commissioner of the Department of Community Affairs within thirty (30) days of its adoption, including a certification by an actuary that the budget is actuarially sound with respect to funding for the claim or loss retention fund accounts.
5. A copy of an amendment to the adopted budget shall be filed quarterly with the governing body of each participating local unit.
6. A copy of any amendment to the budget shall be filed with the Commissioner of Banking and Insurance 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 percent from the original budget or the latest filed amended budget.

ARTICLE XI

Assessments

A. Annual Assessment:

1. The annual assessment of each member shall be its pro-rata share of the probable net cost for the upcoming year for each line of coverage as computed by the Actuary for any lines of coverage that are self-insured and shall consist of any amount allocated for the administrative account, contingency fund account where appropriate, plus specific assessment to establish and/or replenish the claim or loss retention fund account for each type of

coverage provided by the Fund and in which such member participates and amounts sufficient to fund the purchase of commercial insurance, excess and reinsurance purchased by the Fund.

2. The determination of pro-rata shares for each local unit shall be based on calculations performed by the Fund actuary or Fund administrator by Fund year for that line of coverage. Pro-rata shares may be modified by the Fund Commissioners or Executive Committee to reflect the Loss History or other pertinent data of individual members.
3. After the Fund's initial year of operation, the annual assessment shall be paid by each member in four installments, in accordance with the Risk Management Plan which may provide for an earlier payment schedule, if required by the terms and conditions of a policy of insurance issued by a commercial or excess carrier.
 - a. First installment to be paid on or before January 31.
 - b. Second installment to be paid on or before March 31.
 - c. Third installment to be paid on or before May 31.
 - d. Fourth installment to be paid on or before July 31.

Notwithstanding the above installment schedule, each member must pay its annual assessment by August 1 of each year.

4. In the event the final budget necessitates changes in the annual assessment, the second installment shall be adjusted to reflect this difference.
5. The Treasurer shall deposit each member's assessment into the appropriate accounts, including the administrative account, and the claim or loss retention Trust Fund account by Fund year for each type of coverage.
6. If a local unit becomes a member of the Fund after the start of the Fund year, such member's assessments and supplemental assessments shall be reduced in proportion to that part of the year which has elapsed.

7. The total amount of each member's annual assessment to the Fund shall be certified by the Executive Committee to each member at least one (1) month prior to the beginning of the next fiscal year, subject to timely receipt of actuarial and other information. As a condition of continued participation in the Fund, each member shall pay the amount certified at such time and in such manner as provided by these Bylaws.
8. Unless otherwise approved by the Commissioner of Banking and Insurance, the annual assessment of each Fund member providing for the self-insurance of workers' compensation and employers' liability coverages shall be based on the Experience Rating Plan provided for in the New Jersey Workers' Compensation and Employers' Liability Insurance Manual on file with the Commissioner of Banking and Insurance. The Commissioner of Banking and Insurance may withdraw his or her approval of any assessment if he or she finds that such assessment is unreasonable or inadequate for the members of the Fund.

B. Supplemental Assessments:

1. The Fund Commissioners or Executive Committee shall by majority vote levy upon members additional assessments wherever needed or so ordered by the Commissioner of Banking and Insurance to supplement the Fund's claim or loss retention or administrative accounts to assure the payment of the Fund's obligations, including payment of benefits under Workers' Compensation law.
2. The Executive Committee shall assess each participating member an additional proportionate amount, as provided in these Bylaws and Risk Management Plan or as directed by the Commissioner of Banking and Insurance, to replenish claims or loss retention administrative accounts.
 - a. All supplemental assessments shall be charged to the member local unit by applicable Fund year.
 - b. All members 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.

c. Members shall have thirty (30) days to pay the Fund from the date any supplemental assessment is adopted.

3. The Fund Commissioners or Executive Committee shall submit to the Commissioner of Banking and Insurance a report of the causes of the Fund's insufficiency, if any, the assessments necessary to replenish it and the steps taken to prevent a reoccurrence of such circumstances.

C. Failure or Refusal to Provide Required Assessments:

Should any member 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 of his or her failure to do so, the custodian of the Fund's assets, shall notify the Commissioner of Banking and Insurance and the Commissioner of the Department of Community Affairs. Past due assessments shall bear interest at the rate of interest to be established annually by the Fund Commissioners or Executive Committee.

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

ARTICLE XII

Refunds

A. Any monies for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by an actuary may be declared to be refundable by the Fund no less than twenty-four (24) months after the end of the fiscal year.

B. The Fund may seek approval from the Commissioner of Banking and Insurance to make initial and subsequent refund payments from a claims or loss retention fund account remaining from any year which has been completed for at least the time periods set forth in this subsection by submitting written notification to the Department of Banking and Insurance and

the Department of Community Affairs with accompanying documentation as set forth in this subsection, at least thirty (30) days prior to the proposed refund. If the Commissioner of Banking and Insurance does not disapprove, in writing, the request to make the refund within the 30-day period, the request shall be deemed approved. The Commissioner of Banking and Insurance may also affirmatively approve the request prior to the expiration of the 30-day period. The written notification shall be accompanied by appropriate documentation, including, but not limited to assessment, claims and expense detail; actuarial certification that the loss and loss expense reserves are adequate for the Fund to have an overall surplus for that fiscal year; and such other information that the Commissioner of Banking and Insurance may require. The initial and any subsequent refund for any year from a claim or loss retention trust account may be in any amount subject to the limitation that after the refund, the remaining net current surplus in the account from which the refund is made must equal or exceed the surplus retention requirements to be calculated as follows:

1. Fund year paid losses shall be multiplied by the appropriate paid loss factor for the line of coverage and duration of maturity as set forth in the Commissioner of Banking and Insurance's regulations.
 2. Fund year unpaid claim reserves, excluding reserves for incurred, but not reported claims, shall be multiplied by the appropriate unpaid claim factor for the line of coverage and duration of maturity set forth in the Commissioner of Banking and Insurance's regulations. Unpaid claim reserves, excluding reserves for incurred, but not reported claims, shall be established at full value and not discounted.
 3. The greater of the results from the calculations set forth in Section B.1 and 2 above, shall then be reduced by the amount of outstanding losses reported, including incurred, but not reported claims, as certified by an actuary. The result of this calculation, but not less than zero, shall be the surplus retention requirement for that Fund year.
- C. A full and final refund of net current surplus will not be allowed until all case reserves and all unpaid claim reserves are closed.

- D. A refund for any fiscal year shall be paid only in proportion to the member's participation in the Fund for such year. Payment of a refund on a previous year shall not be contingent on the member's continued membership in the Fund after that year.
- E. At the option of the member, the refund may be retained by the Fund and applied towards the member's next annual assessment.
- F. The Fund may seek approval from the Commissioner of Banking and Insurance to make interyear fund transfers from a claims or loss retention trust account from any year not sooner than twenty-four (24) months after the end of the year by submitting a written certification to the Department of Banking and Insurance with the appropriate documentation as set forth in Section B above at least thirty (30) days prior to the proposed transfer. If the Commissioner of Banking and Insurance does not disapprove, in writing, the request within the 30-day period, the request shall be deemed approved. The Commissioner of Banking and Insurance may also affirmatively approve the request prior to the expiration of the 30-day period. The interyear fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus in the account from which the transfer is made must be equal or exceed the surplus retention requirement determined pursuant to Section B above, for that account for the fiscal year. The membership for each fiscal year involving interyear fund transfers must be identical between fiscal years. The Commissioner of Banking and Insurance may waive the identical membership requirement provided the Fund demonstrates to the Department of Banking and Insurance that it maintains records of each member's pro rata share of each claim or loss retention fund account and that the transfer may be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.
- G. In the event that the regulations of the Commissioner of Banking and Insurance with respect to refunds are amended, the procedure for refunds shall be as set forth in those regulations.

ARTICLE XIII

Excess Insurance/Reinsurance

- A. Consistent with the regulations of the Commissioner of Banking and Insurance, the Fund shall secure excess insurance or reinsurance in a form, in an amount and by an insurer, or other entity authorized to provide such coverage in this State pursuant to law, acceptable to the Commissioner of Banking and Insurance, if commercially available and not unreasonably priced, as determined by Executive Committee for each Fund year, and is approved by the Department of Banking and Insurance and the Department of Community Affairs.

- B. Any approval by the Department of Banking and Insurance pursuant to A. above shall be for a period not to exceed either the longer of twelve (12) months from the date of approval or the end of the current Fund year. If the Fund seeks to extend the period of the approval, it shall notify the Department of Banking and Insurance not later than forty-five (45) days prior to the expiration of the term of the approval. The notification shall specify the basis upon which the Executive Committee have determined that excess insurance or reinsurance required pursuant to A above is not commercially available or is not reasonably priced, and shall include all actions taken by the Fund to obtain required excess insurance or reinsurance.

- C. The policies of excess insurance and/or reinsurance issued by an insurer to the Fund shall provide single accident (single occurrence) excess insurance, and aggregate excess insurance, in accordance with this subsection.
 - 1. The Fund shall maintain a minimum cap for aggregate excess insurance in the appropriate amount depending upon the Fund's specific per occurrence retention and size of the Fund's cumulated budgeted losses as determined in accordance with the Commissioner of Banking and Insurance regulations. To the extent the Fund has different specific per occurrence retentions for different lines, the Fund shall utilize the highest specific occurrence retention. To the extent the specific per occurrence retention is not specified in the Commissioner of Banking and Insurance regulations, the Fund shall utilize the

next highest applicable specific per occurrence retention set forth therein.

2. The Fund's aggregate self-insured retention for the Fund year shall be no greater than one hundred twenty-five (125) percent of its budgeted losses.
- D. Certificates of excess insurance and/or reinsurance showing policy limits, specific and aggregate retentions, and other information shall be available for the inspection of each member and shall be filed with the Commissioner of Banking and Insurance.
- E. Losses in excess of the established self-insurance retention shall be borne by the excess carrier(s) according to the terms and conditions of the excess contract(s).
- F. Any proposed change in the terms or limits of excess insurance and/or reinsurance shall be submitted to the Department of Banking and Insurance for approval at least thirty (30) days prior to the effective date of the proposed change.
- G. Notwithstanding the requirements in A through F above:
1. The Fund shall not be required to maintain single accident (single occurrence) excess insurance if the Fund's single accident (single occurrence) limit of liability as set forth in its approved Risk Management Plan is equal to or less than its single accident (single occurrence) self-insured retention as approved by the Department of Banking and Insurance.
 2. In lieu of maintaining aggregate excess insurance as provided in A through F above, the Fund may establish and provide for the funding of an aggregate excess loss contingency fund. The Fund shall make annual contributions to the loss contingency fund, the amount of which shall be based on the Fund's cumulated budgeted losses and specific per occurrence retention and determined in accordance with the Commissioner of Banking and Insurance regulations. The required contribution for the current Fund year shall be the current Fund year's budgeted losses, multiplied by the appropriate factor in Commissioner of Banking and Insurance regulations. To the extent the Fund has different specific per occurrence retentions for different lines, the Fund shall utilize

the highest specific occurrence retention. To the extent that the specific per occurrence retention is not specified in the Commissioner of Banking and Insurance regulations, the Fund shall interpolate the appropriate percentage from the percentages indicated. For any Fund year, the loss contingency fund shall include the required annual contribution for the current Fund year and for the Fund year immediately preceding. Such contingency fund may be utilized solely for the replenishment of a claim or loss retention fund account for losses in excess of budgeted losses for a Fund year.

The Fund shall notify the Department of Banking and Insurance within thirty (30) days of the transfer of monies from the aggregate excess loss contingency fund to a claim or loss retention fund account. Annual contributions for the second preceding Fund year, and the Fund years prior to the second preceding Fund year, which have not been utilized to replenish a claim or loss retention fund account, may be released without restriction. The Fund, however, shall notify the Department of Banking and Insurance in writing within thirty (30) days of any release of prior contributions.

3. The Fund may obtain aggregate excess insurance in accordance with A through F above for some lines of coverage for particular Fund year. For lines of coverage that are not covered by aggregate excess insurance, the Fund shall provide a loss contingency fund pursuant to G above. For purposes of determining the annual contribution, the Fund shall utilize its cumulated budget losses for all lines to determine the appropriate factor in the Commissioner of Banking and Insurance regulations and shall multiply that factor by the budgeted losses only for those lines of coverage for which the loss contingency fund is established.
4. If the Fund seeks to purchase aggregate excess insurance, but such coverage is only available at a retention greater than one hundred twenty-five (125) percent, the Fund shall establish a modified loss contingency fund at an amount determined as follows:
 - a. One hundred twenty-five (125) percent shall be subtracted from the attachment point of the aggregate excess insurance purchase.

- b. One hundred twenty-five (125) percent shall be subtracted from the minimum reinsurance cap required for the Fund pursuant to the Commissioner of Banking and Insurance regulations.
 - c. The dollar amount in a loss contingency fund, as if established and pursuant to G.2 above, shall be multiplied by one hundred twenty-five (125) percent.
 - d. The amount of the loss contingency fund required shall be equal to amount obtained by multiplying the result in G(4)(c) above by the result in G(4)(a) above and dividing that result by the result of G(4)(b) above. In no event shall the modified loss contingency fund required by G(4) above be required to be established pursuant to G(2) and G(3) above.
- H. For Purposes of this Section the following Definitions shall apply:
- 1. "Budgeted Losses" means the amount established in the Fund's budget for losses anticipated for a particular Fund year as annually certified by the Fund's actuary.
 - 2. "Cumulated Budgeted Losses" means the Fund's budgeted losses for the correct Fund year plus the four (4) Fund years immediately preceding. For a Fund in existence for less than three (3) years, cumulated budgeted losses shall be based on an estimate of three (3) years budgeted losses pro-rata for that period. Any Fund with three (3) years or more experience shall base its cumulated budgeted losses on its actual years of experience, not to exceed five (5) years.
- I. The Fund may establish an aggregate excess insurance cap or a loss contingency fund, as applicable, in amounts greater than that required by this Section.

ARTICLE XIV

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Trust Fund Accounts, Investments and Disbursements

A. Establishment of Trust Fund Accounts:

1. By resolution of the Fund Commissioners or Executive Committee, the Fund shall designate a public depository or depositories for its monies from a list approved by the State of New Jersey.
2. Pursuant to the terms of the indemnity and trust agreement, the Fund shall establish a separate Trust Fund Account in accordance with the regulations of the Commissioner of Banking and Insurance from which monies shall be disbursed solely for the payment of claims, allocated claim expenses and excess insurance or reinsurance premiums for each type of liability or risk retained jointly on a self-insured basis. Such accounts shall be designated as Claims or Loss Retention Fund Accounts.
 - a. Other than for the purposes specified in (2) above, or as otherwise authorized by the regulations of the Commissioner of Banking and Insurance, no withdrawals may be effected for a claim or loss retention fund without prior written approval of the Commissioner of Banking and Insurance, except for intertrust fund transfers. Intertrust fund transfers, within the Fund's fiscal year, may be conducted by the Fund at any time, by providing 30 days prior written notification to the Commissioner of Banking and Insurance and the Commissioner of the Department of Community Affairs. If the Commissioner of Banking and Insurance does not disapprove of the transfer, in writing, within 30 days after receiving such written notification, the request for intertrust fund transfer(s) shall be deemed approved. Any intertrust fund transfer request must be supported by appropriate assessment and claim and expense documentation, and be accompanied by a certification signed by an actuary that the amount remaining in the trust fund account after the intertrust fund transfer will be at a level which is reasonable in relation to that account's unpaid losses, along with all documentation in support of such certification. Intertrust fund transfers may be conducted only

where each member participates in each and ever claim or loss retention fund account during that fund year. The Commissioner of Banking and Insurance may waive the full participation requirement provided the Fund demonstrates to the Department of Banking and Insurance that it maintains records of each member's pro rata share of each claim or loss retention fund account for that fund year, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the account receiving the transfer.

3. The Fund shall also establish an administrative account which shall be utilized for payment of the Fund's general operating expenses, including but not limited to, loss prevention activities, data processing services and general legal expenses.
4. The Fund shall record and account for all transactions for all accounts by Fund year for each risk or liability in accordance with the regulations of the Department of Banking and Insurance.
5. The Fund Commissioners or Executive Committee may authorize the creation of loss contingency fund or administrative accounts which shall be created and operated in accordance with the regulations of the Commissioner of Banking and Insurance.
6. In the event the Commissioner of Banking and Insurance, through duly enacted regulations, makes other provisions regulating trust fund or administrative accounts, the Fund may follow those procedures, if applicable, even if those procedures are not consistent with these Bylaws.

B. Investments:

1. The free balance of any account whether for claim or loss retention, administrative or contingency, 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 regulations governing the investment of public funds, pursuant to N.J.S.A. 40A: 10-10b. In addition, the Fund Commissioners or Executive Committee

may transfer monies held 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 the investment of other funds which are managed under the rules and regulations of the State Investment Council. Any monies transferred to the Director for Investment may not thereafter be withdrawn except under the conditions set forth in N.J.S.A. 40A:10-38b.

2. The investment and interest income earned by the investment of the assets of each claim or loss retention account shall be allocated to each such account by Fund year.
3. The investment and interest income earned by the investment of the assets of the administrative account shall be credited to that account by Fund year.
4. The Fund shall record and account for all investment and interest income earned by the administrative account by Fund year.

C. Disbursements:

1. All disbursements, payments of claims, settlements or expenditures of the Fund, whether for administrative expenses or for claims purposes, must be approved by a majority vote of the Fund Commissioners or Executive Committee, unless approved pursuant to No. 2 below.
2. To allow the expeditious resolution of certain claims, the Fund Commissioners or Executive Committee may designate the Fund's Administrator, lead agency or servicing organization as a "certifying and approving officer". The certifying and approving officer may be authorized by the Fund Commissioners or Executive Committee to approve for payment of any or all specified types of claims in an amount approved by the Commissioner of Banking and Insurance in the Risk Management Plan. 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 have been approved, or such other procedures as the Fund Commissioners or Executive Committee deem

appropriate. The authority of the "certifying and approving officer" may be revoked or modified at any time by the Fund Commissioners or Executive Committee.

3. Upon approval, the certifying and approving officer shall certify the amount and particulars of such approved claims to the custodian of the Fund's assets directing that a check for payment be prepared.
4. The certifying and approving officer shall prepare a report of all claims approved by him or her since the last report, detailing the nature and amount of the claim, the payee, the reasons supporting payment and any other pertinent information. This report shall be submitted to the Fund Commissioners or Executive Committee at their next scheduled meeting. The Fund Commissioners or Executive Committee 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 or Executive Committee, they shall direct appropriate action to be taken.
5. All requests for payments 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 shall be certified by an 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 Claims Administrator, if there is one, shall certify as to the correctness and validity of the claim.
6. All claims shall be paid by check. Two persons so designated by the Fund Commissioners or Executive Committee shall sign the checks.
7. All claims and other disbursements approved for payment by the Fund Commissioners, Executive Committee, or the certifying and approving officer shall be recorded in a claims register and general ledger maintained by the custodian of the Fund's assets.

ARTICLE XV

Conflict of Interest

- A. No official or employee of a member local unit or any member of the family of such officials or employees, or any businesses in which such officials, employees or family members have a beneficial interest shall seek to obtain or participate in any contract to be entered into by the Fund for administration, loss control, investment or depository services, insurance coverage or any other service, commodity or material without first fully disclosing in writing the nature and extent of such interest, financial or otherwise, to the Fund Commissioners or Executive Committee. It shall be the responsibility of the Fund Commissioners or Executive Committee to determine if the interest so disclosed is such as to constitute an actual or potential conflict of such degree as to impair the ability of the officer, employee, family member or business from fully and impartially performing the duties required by the Fund. If so, the officer, employee, family member or business shall be prohibited from entering into such contract until the cause of such conflict is removed.
- B. Any contract entered into between the Fund and any individual, firm, corporation or agency which fails to disclose an actual or potential conflict situation shall be void.
- C. There shall be no collusion or evidence or appearance of collusion, between any official or employee of the members or employees of the Fund and any official or employee of any contractor, vendor, insurance company, bank, consultant, brokerage firm or any other profit making or non-profit firm attempting to solicit a contract with the Fund or awarded a contract by the Fund.

ARTICLE XVI

Voluntary Dissolution of the Fund

- A. If a majority of the Fund members deem it in the best interest of the members to dissolve the Fund at a meeting duly called for such purposes, they shall direct that a written plan of dissolution be prepared.

- B. The plan of dissolution must provide for the payment of all unpaid losses of the Fund and its members, including 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 purpose.
- C. The plan of dissolution shall contain a statement of the Fund's current financial condition computed both on a statutory basis and according to generally accepted accounting principles as attested to by an independent certified public accountant.
- D. The plan of dissolution, and such other information as may be required, must be filed with and approved in writing by the Commissioner of Banking and Insurance and the Department of Community Affairs. The plan shall be filed with the Commissioner of Banking and Insurance and the Commissioner of the Department of Community Affairs not later than ninety (90) days prior to the proposed effective date of dissolution.

ARTICLE XVII

Complaint Handling Procedures

- A. Whenever any interested party shall submit a complaint in writing to either the Fund, the Administrator or any member of the Fund, a copy thereof shall be forthwith communicated to the Fund Commissioners or Executive Committee for consideration at its next regularly scheduled meeting.
- B. At said meeting the Fund Commissioners or Executive Committee shall consider the complaint, and by recorded vote take such action as might be appropriate.
- C. The complaining party, and the Fund Commissioner from the local unit wherein the complaining party resides (if the complaining party is a resident of a local unit) as well as the Commissioner of Banking and Insurance (upon request), shall receive written notice of the Fund Commissioners' or Executive Committee's findings. The written notice to the complaining party may, where appropriate, include an opportunity for the complaining party to have a hearing concerning the complaint before the Fund Commissioners or Executive Committee.

- D. If the complaining party is dissatisfied with the Fund Commissioners' or Executive Committee's decision, the complaining party may appeal this determination to the independent appeal organization or arbitrator designated by the Fund annually. The fee of the appeal organization or arbitrator shall be split evenly by the complaining party and the Fund.
- E. If either party is dissatisfied with the determination of the independent appeal agency or arbitrator, it may exercise any remedies provided by law.
- F. The Fund shall keep a separate record of all complaints received and the disposition of same.

ARTICLE XVIII

Claims Handling Procedure

- A. Registration of Claims: Upon receipt of initial notice of claim, whether by service of process, notice of claim, petition or otherwise, the Claims Administrator shall cause each claim to be numbered, and to be included on a monthly report to the Fund Commissioners or Executive Committee. The monthly report shall set forth the name of the claimant, the nature of the claim, the type of insurance coverage claimed against and, to the extent known an approximate estimate of the magnitude of the potential loss.
- B. Claims Response: Upon receipt of the initial notice of claim described above, the involved member local unit shall immediately forward the notice of claim and any other information available to the claims service agency, and where appropriate, to the Fund's defense attorneys for initial contact, investigation, court action or other appropriate response.
- C. Claims Acknowledgment and Initial Evaluation: Upon receipt of an assignment of claim handling, the Claims Administrator and, where appropriate, the defense attorneys shall acknowledge receipt of the claim and within thirty (30) days of receipt, submit a report indicating their initial assessment of the merits and exposure represented by the claim and a summary of the actions taken to date in response to said claim.

- D. Periodic Review of Claim Status: Each claim shall be reviewed at intervals of not greater than ninety (90) days as to their status. In particular, the Fund Commissioners or Executive Committee shall determine whether the investigation and defense of the claim is adequate, and the adequacy of the reserves posted for the claim.
- E. Notice of Settled Claims: Where permitted by the Bylaws, and settlements have been concluded without action of the Fund Commissioners or Executive Committee, a complete report thereof as provided by the Bylaws shall be furnished to the Fund Commissioners or Executive Committee.
- F. Notice of Intended Settlement: Whenever an investigation discloses that the prompt, fair and equitable settlement of a claim is appropriate and possible, the claims service agency shall submit to the Administrator for review at a meeting of the Fund Commissioners or Executive Committee a notice of recommended settlement. This notice shall be on forms approved by the Fund Commissioners or Executive Committee and shall set forth identifying information concerning the claims recommendations, the legal liability of the Fund, a summary of investigative work concerning the merits of the claim and the reasons underlying the recommended settlement.
- G. Approval of Payments and Settlements: Whenever the Fund shall make any payment or settlement of any claim, a notation thereof identifying the claim, the amount paid and the reasons underlying the payment shall be approved by the Fund Commissioners or Executive Committee and entered upon a ledger of claims paid.

The foregoing procedures will be followed unless responsibility for claims handling has been assumed by a commercial carrier on behalf of the Fund.

ARTICLE XIX

Other Conditions

- A. Inspection and Audit: The Fund or its authorized agents shall be permitted but not obligated to inspect, at any reasonable time, the work places and operations of each member local unit covered by this Agreement. 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

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warrant that such work places or operations, are safe or healthful, or are in compliance with any law, rule or regulation.

The Fund or its authorized agents 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 intend to show or verify the amount of remuneration or other premium basis, or relate to the subject matter of these Bylaws.

- B. Notice of Injury: When an injury occurs, written notice shall be given by or on behalf of the member to the Fund or any of its authorized agents as soon as practicable. Such notice shall contain particulars sufficient to identify the member local unit and also reasonably obtainable information respecting the time, place and circumstances of the injury, the names and addresses of those injured and of available witnesses and shall generally comply with the requirements of the Fund.
- C. Notice of Claim or Suit: If a claim is made or formal petition or a suit or other proceedings is brought against a member, the member shall immediately forward to the Fund or its authorized agents every demand, notice, summons or other process received by him or his representative.
- D. Assistance and Cooperation of the Participant: The member local unit shall cooperate with the Fund and its authorized agents and, upon the request of the Fund or its authorized agent, 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 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 the Workers' Compensation Law.
- E. 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, and until the amount of the member'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, 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 by these Bylaws. Nothing contained in these Bylaws shall give any person or organization any right to join the Fund as a co-defendant in any action against the member to determine the member's liability. Bankruptcy or insolvency of the member shall not relieve the Fund of any of its obligations.

- F. Subrogation: In the event of any payment under the Bylaws, the Fund and, as appropriate, its authorized agents, shall be subrogated to all rights of recovery therefor of the member and any person entitled to the benefits of these Bylaws against any person or organization and the member shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The member shall do nothing after loss to prejudice such rights.
- G. Conformance with Statute and Regulation: In the event any portion of these Bylaws conflict with any statute or administrative regulation covering joint insurance funds, the provision of any such regulation shall control to the extent it conflicts.
- H. Authorized Agent: For the purposes of this Article the Fund may designate the administrator as its authorized agent.