Central Jersey Health Insurance Fund

August 21, 2026

New Jersey Department of Banking and Insurance

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Joint Insurance Funds for Group Health Benefits

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Joint (Health) Insurance Fund Background

- A Joint Insurance Fund is a local government entity. It is not an insurance company. The members are fully responsible for the fund. The members hire service providers – e.g., Administrator (PERMA), TPA for health benefits (Aetna, AHA), Auditor (Mercadien), Actuary (Vataha), etc.
- Self insurance means the members are responsible for claims. The fund obtains reinsurance for large claims.
- The budgeted assessment in the beginning of the year is not a member’s ultimate cost.
- There are ten joint insurance funds providing Group Health Benefits.

Applicable Laws and Regulations

- N.J.S.A. 40A:10-36 through 58 – Joint Insurance Funds
- N.J.A.C. 11:15-3: Joint Insurance Funds for Local Government Units providing Group Health and Term Life Insurance
- N.J.A.C. 11:15-5: Joint Insurance Funds for School Boards providing Group Health and Term Life Insurance
- N.J.S.A. 40A:10-48: "A joint insurance fund established pursuant to the provisions of this act is not an insurance company or an insurer under the laws of this State, and the authorized activities of the fund do not constitute the transaction of insurance nor doing an insurance business."

Membership and Trust/Indemnity Agreements

- Membership: Pursuant to N.J.S.A. 40A:10-37, each local unit appoints one member of the governing body or employee of the local unit to represent that local unit as an insurance fund commissioner who maintains such powers and authority under N.J.S.A. 40A:10-10. If the total number of member local units exceeds seven, the commissioners annually meet to select not more than seven commissioners to serve as the executive committee of the Fund. The executive committee shall exercise the full power and authority of the commission.

- When a Member joins a fund, the member must execute an indemnity and trust agreement (as defined by N.J.A.C. 11:15-2.2) and agree to abide by the Fund’s Bylaws as well as applicable laws and regulations regarding joint insurance funds.

Fund Commissioner Responsibilities

- N.J.S.A. 40A:10-39: Commissioners are required to prepare and approve bylaws. N.J.S.A. 40A:10-40: Commissioners are required to prepare and approve a plan of risk management. <u>The responsibilities for content and approval cannot be delegated.</u>

- N.J.A.C. 11:15-3.6(d)8: Submit initial and renewal assessment methodologies, including rating methodologies, for the plan and individual members including actuarial principles, assumptions and methods of calculations to ensure assessments are not excessive, inadequate or unfairly discriminatory.

- N.J.A.C. 11:15-3.15 requires the total amount of each member's assessments to the joint insurance fund shall be certified by the commissioners to the governing body of each participant. N.J.A.C. 11:15-3.16 requires the Fund to have procedures to levy upon its members a supplemental assessment whenever needed.

Financial Considerations

- N.J.S.A 40A:10-46 and N.J.A.C. 11:15-3.24 require the commissioners to file an annual report with the Department and the Department of Community Affairs not later than 120 days after the end of the immediately preceding fiscal year. The report must include an annual audit of the Fund conducted by an independent certified public accountant or a registered municipal accountant. The annual audited financials must be reviewed and approved by the Fund's Executive Committee prior to being finalized.

- As long as there are claim liabilities for a particular fund year, there is no statute of limitations relating to a former member's liability for a supplemental assessment. N.J.A.C. 11:15-2.10(c): "A member that has been terminated by 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 claims incurred by the fund and its members during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments."

Service Providers

- N.J.S.A. 40A:10-38: Commissioners are subject to and must operate in compliance with the provisions of the "Local Fiscal Affairs Law" (N.J.S.40A:5-1 et seq.), the "Local Public Contracts Law," and such other rules and regulations as govern the custody, investment and expenditure of public funds by local units.

- N.J.A.C. 11:15-3.4: A joint insurance fund is considered a local unit for purposes of the "Local Public Contracts Law" (N.J.S.A. 40A:11-1 et seq.) and is governed by the provisions of that law in the purchase of any goods, materials, supplies and services.

- N.J.A.C. 11:15-3.26: The fund commissioners shall notify the Department within 10 days of any determination to terminate or nonrenew any agreement with a servicing organization.

Service Providers

N.J.A.C. 11:15-3.26: Service Organizations & Administrator required disclosures to Fund Commissioners

N.J.A.C. 11:15-3.6(e)(3&10): Exhibits

Exhibit A – Fund's Chairman certifies that the contract terms and conditions for service providers has not changed from the prior year or they are submitting updated/new contracts. Specifically submit any compensation changes on the form itself.

Exhibit B – Each individual of a Service Provider provides detailed biographical information, including 10% of more ownership in any company, criminal and financial background, and specifically a disclosure that reads: "I am not…an employee, officer or director of any other administrator, program manager, servicing organization or insurance producer of the Fund, nor do I have a direct or indirect financial interest in any other administrator, program manager, …, except as follow:…." and, must indicate whether the "…financial interest or any position held…has been disclosed to the Fund commissioners…"

Exhibit C – Fund's Chairman certifies that the biographical information submitted (Exhibit B) by Individuals providing service has not changed from the prior year or they are submitting updated/new data forms.

QUESTIONS?