

ADOPTIONS SECTION

INSURANCE

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

Notice of Readoption

Group Self-Insurance

Readoption: N.J.A.C. 11:15

Authority: N.J.S.A. 17:1-8.1, 17:1-15.e, 17:49A-1 et seq., 18A:18B-1 et seq., 18A:64-86 et seq., 34:15-77 et seq., and 40A:10-36 et seq.

Authorized By: Richard J. Badolato, Commissioner, Department of Banking and Insurance.

Effective Date: April 18, 2017.

New Expiration Date: April 18, 2024.

Take notice that pursuant to N.J.S.A. 52:14B-5.1, the rules at N.J.A.C. 11:15 were scheduled to expire on July 2, 2017. The existing chapter contains rules that govern the formation of pooling mechanisms by groups of hospitals seeking to self-insure workers' compensation coverage; by local units of government or boards of education seeking to join together to insure against liability, property damage, workers' compensation, environmental impairment liability (local units only), and to provide group health and term life insurance; by nonprofit corporations and Keys amendment facilities seeking to form a joint insurance fund for the purpose of insuring against liability, property damage, and workers' compensation; and by State colleges seeking to form a State college risk management group (group) for the purpose of

insuring against liability, property damage, and workers' compensation. The Department has reviewed these rules and has determined that they continue to be necessary, reasonable, and proper for the purpose for which they were originally promulgated. The Department is readopting these rules without change.

N.J.A.C. 11:15 contains rules on the following subjects:

1. Hospital workers' compensation group self-insurance;
2. Joint insurance funds for local governmental units providing property and liability coverages;
3. Joint insurance funds for local governmental units providing group health and term life benefits;
4. Joint insurance funds for school boards providing property and liability coverages;
5. Joint insurance funds for school boards providing group health and term life benefits;
6. Joint insurance funds for nonprofit corporations and Keys amendment facilities; and
7. State college risk management groups.

The rules in this chapter were promulgated to implement statutory requirements in Titles 17, 18A, 34, and 40A of the New Jersey Statutes.

Subchapter 1 was promulgated to implement N.J.S.A. 34:15-77 et seq., which authorizes 10 or more hospitals licensed in this State to pool their workers' compensation liabilities through the formation of a self-insurance group or pool. Subchapter 1 implements those provisions by establishing criteria for: the organization and administration of such groups; the obligations of

the group and its members; the manner in which rates are established and profits and losses distributed; and methods to guard against insolvency or financial deterioration of the group.

Subchapters 2 and 3 authorize two or more local units of government to form a joint insurance fund for the purpose of insuring against claims for liability, property damage, and workers' compensation, insuring against loss or theft of money or securities, providing blanket bond coverage of certain county municipal officers and employees for faithful performance in discharge of their duties, insuring against environmental impairment liability, and providing contributory or noncontributory group health or group term life insurance. Subchapter 2 provides the standards governing the establishment, operation, oversight, modification, and dissolution of property and liability joint insurance funds. Subchapter 3 essentially reflects the requirements set forth in Subchapter 2, with appropriate modifications, to address the provision of group health and term life coverages.

Subchapters 4 and 5 authorize two or more boards of education to form a joint insurance fund to insure against liability, property damage, losses from liability for a members' acts or omissions, workers' compensation, and expenses of defending any claim against the school board, county college, officer, or servant arising out of the course of performing their duties (Subchapter 4); and for the provision of group health and group term life benefits (Subchapter 5). Subchapters 4 and 5 set forth the requirements for the establishment, operation, oversight, modification, and dissolution of a school board joint insurance fund, and essentially reflect the requirements set forth in Subchapters 2 and 3, respectively, with appropriate modifications to address specific statutory requirements related to school boards and school board insurance funds.

Subchapter 6 permits two or more nonprofit corporations or two or more Keys amendment facilities, as applicable, to form a joint insurance fund for the purpose of insuring against liability, property damage, and workers' compensation. Subchapter 6 similarly sets forth the requirements for the establishment, operation, oversight, modification, and dissolution of a joint insurance fund formed for that purpose. The general requirements set forth in Subchapter 6 essentially reflect those set forth in Subchapters 2 and 4, with appropriate changes to reflect that these joint insurance funds are formed by entities other than public entities with taxing authority.

Subchapter 7 permits two or more State colleges to establish a State college risk management group (group) for the purpose of insuring against liability, property damage, and workers' compensation. Subchapter 7 similarly sets forth the requirements for the establishment, operation, oversight, modification, and dissolution of a group formed for that purpose. The general requirements set forth in Subchapter 7 essentially reflect those in Subchapter 4.

The Department believes that the readoption of these rules will continue to provide a regulatory framework by which the Department may ensure that hospital workers' compensation self-insurance groups, joint insurance funds formed by local units of government, school boards, nonprofit corporations, and Keys amendment facilities, and groups formed by State colleges, are operating in compliance with applicable statutory requirements. In addition, the readoption of the rules will continue to enable the Department to assess the financial condition and viability of these entities, thus lessening the likelihood of group or fund insolvencies. This, in turn, will help ensure that these entities will be in a position to pay their obligations, thus protecting the interest of claimants, as well as taxpayers of this State.

Therefore, pursuant to N.J.S.A. 52:14B-5.1.c(1), these rules are readopted and shall continue in effect for a seven-year period.

