

**LEGISLATIVE HISTORY CHECKLIST**  
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(Joint insurance)

NJSA: 40A:10-38

LAWS OF: 1995 CHAPTER: 374

BILL NO: A2436

SPONSOR(S): Augustine

DATE INTRODUCED: January 10, 1995

COMMITTEE: ASSEMBLY: Insurance

SENATE: Commerce

AMENDED DURING PASSAGE: Yes Amendments during passage denoted  
 First reprint enacted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: June 19, 1995

SENATE: December 7, 1995

DATE OF APPROVAL: January 5, 1996

## FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

## FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBP:pp

[FIRST REPRINT]  
ASSEMBLY, No. 2436

STATE OF NEW JERSEY

INTRODUCED JANUARY 10, 1995

By Assemblyman AUGUSTINE

1 AN ACT concerning the investments of certain joint  
2 self-insurance funds and amending P.L.1983, c.372 and  
3 P.L.1992, c.53.

4  
5 BE IT ENACTED *by the Senate and General Assembly of the*  
6 *State of New Jersey:*

7 1. Section 3 of P.L.1983, c.372 (C.40A:10-38) is amended to  
8 read as follows:

9 3. a. The commissioners of a joint insurance fund shall have  
10 the powers and authority granted to commissioners of individual  
11 local insurance funds under the provisions of subsections a., b., c.,  
12 and e. of N.J.S.40A:10-10.

13 b. The commissioners may invest and reinvest the funds,  
14 including workers' compensation funds, as authorized under the  
15 provisions of subsection b. of N.J.S.40A:10-10 [or the] . The  
16 commissioners may <sup>1</sup>[transfer] , subject to the cash management  
17 plan of the joint insurance fund adopted pursuant to  
18 N.J.S.C.40A:5-14, delegate any of<sup>1</sup> the functions, powers and  
19 duties relating to the investment and reinvestment of these  
20 funds, including the purchase, sale or exchange of any  
21 investments, securities or funds to an investment or asset  
22 manager. <sup>1</sup>Any transfer of investment power and duties made  
23 pursuant to this subsection shall be detailed in a written contract  
24 for services between the joint insurance fund and an investment  
25 or asset manager. The contract shall be filed with the  
26 Commissioner of Insurance and the Commissioner of Community  
27 Affairs. Compensation under such an arrangement shall not be  
28 based upon commissions related to the purchase, sale or exchange  
29 of any investments, securities or funds.<sup>1</sup>

30 c. The commissioners may transfer moneys held in the fund to  
31 the Director of the Division of Investment in the Department of  
32 the Treasury for investment on behalf of the fund, pursuant to  
33 the written directions of the commissioners, signed by an  
34 authorized officer of the joint insurance fund, or any investment  
35 or asset manager designated by them. The commissioners shall  
36 provide a written notice to the director <sup>1</sup>[that] detailing the  
37 extent of the authority delegated to<sup>1</sup> the investment or asset  
38 manager so designated <sup>1</sup>[is authorized]<sup>1</sup> to act on behalf of the  
39 joint insurance fund. Moneys transferred to the director for  
40 investment shall be invested <sup>1</sup>subject to section 8 of P.L.1977,  
41 c.396 (C.40A:5-15.1), and<sup>1</sup> in accordance with the standards  
42 governing the investment of other funds which are managed under  
43 the rules and regulations of the State Investment Council. <sup>1</sup>In  
44 addition to the types of securities in which the joint insurance

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly AIN committee amendments adopted March 23, 1995.

1 fund may invest pursuant to section 8 of P.L.1977, c.396  
2 (C.40A:5-15.1), a joint insurance fund may invest in debt  
3 obligations of federal agencies or government corporations with  
4 maturities not to exceed 10 years from the date of purchase,  
5 excluding mortgage backed or derivative obligations, provided  
6 that the investments are purchased through the Division of  
7 Investment and are invested consistent with the rules and  
8 regulations of the State Investment Council.<sup>1</sup>

9 d. [However, any moneys] Moneys transferred to the director  
10 for investment may not thereafter be withdrawn except: (1)  
11 pursuant to the written directions of the commissioners signed by  
12 an authorized officer of the joint insurance fund, or any  
13 investment or asset manager designated by them; (2) upon  
14 withdrawal or expulsion of a member local unit from the fund [or]  
15 ; (3) termination of the fund; or (4) in specific amounts in  
16 payment of specific claims, administrative expenses or member  
17 dividends upon affidavit of the director or other chief executive  
18 officer of the joint insurance fund.

19 [c.] e. The commissioners or the executive board, as the case  
20 may be, of any joint insurance fund established pursuant to the  
21 provisions of this act shall be subject to and operate in  
22 compliance with the provisions of the "Local Fiscal Affairs Law"  
23 (N.J.S.40A:5-1 et seq.), the "Local Public Contracts Law,"  
24 P.L.1971, c.198 (C.40A:11-1 et seq.) and such other rules and  
25 regulations as govern the custody, investment and expenditure of  
26 public funds by local units.

27 (cf: P.L.1992, c.53, s.2)

28 2. Section 3 of P.L.1992, c.53 (C.52:18A-86.1) is amended to  
29 read as follows:

30 3. The Director of the Division of Investment is authorized to  
31 accept, for purposes of investment, moneys from any joint  
32 self-insurance fund established by any school board insurance  
33 group pursuant to P.L.1983, c.108 (C.18A:18B-1 et seq.) and  
34 moneys from any joint insurance fund established by two or more  
35 units of local government, including contracting units, pursuant  
36 to P.L.1983, c.372 (C.40A:10-36 et seq.). All moneys accepted by  
37 the director pursuant to this section shall be invested on behalf of  
38 the funds in accordance with the standards governing the  
39 investment of other funds managed under the rules and  
40 regulations of the State Investment Council. Moneys accepted by  
41 the director pursuant to subsection 1[b.] c.<sup>1</sup> of section 3 of  
42 P.L.1983, c. 372 (C.40A:10-38) may be invested and reinvested  
43 pursuant to the written directions of the commissioners, signed  
44 by an authorized officer of the joint insurance fund, or any  
45 investment or asset manager designated by them. <sup>1</sup>The  
46 commissioners shall provide a written notice to the director  
47 detailing the extent of the authority delegated to the investment  
48 or asset manager so designated to act on behalf of the joint  
49 insurance fund.<sup>1</sup>

50 (cf: P.L.1992, c.53, s.3)

51 3. This act shall take effect immediately.

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55 Allows certain joint self-insurance funds discretion regarding  
56 funds transferred to Division of Investment.

1 may be, of any joint insurance fund established pursuant to the  
2 provisions of this act shall be subject to and operate in  
3 compliance with the provisions of the "Local Fiscal Affairs Law"  
4 (N.J.S.40A:5-1 et seq.), the "Local Public Contracts Law,"  
5 P.L.1971, c.198 (C.40A:11-1 et seq.) and such other rules and  
6 regulations as govern the custody, investment and expenditure of  
7 public funds by local units.

8 (cf: P.L.1992, c.53, s.2)

9 2. Section 3 of P.L.1992, c.53 (C.52:18A-86.1) is amended to  
10 read as follows:

11 3. The Director of the Division of Investment is authorized to  
12 accept, for purposes of investment, moneys from any joint  
13 self-insurance fund established by any school board insurance  
14 group pursuant to P.L.1983, c.108 (C.18A:18B-1 et seq.) and  
15 moneys from any joint insurance fund established by two or more  
16 units of local government, including contracting units, pursuant  
17 to P.L.1983, c.372 (C.40A:10-36 et seq.). All moneys accepted by  
18 the director pursuant to this section shall be invested on behalf of  
19 the funds in accordance with the standards governing the  
20 investment of other funds managed under the rules and  
21 regulations of the State Investment Council. Moneys accepted by  
22 the director pursuant to subsection b. of section 3 of P.L.1983, c.  
23 372 (C.40A:10-38) may be invested and reinvested pursuant to the  
24 written directions of the commissioners, signed by an authorized  
25 officer of the joint insurance fund, or any investment or asset  
26 manager designated by them.

27 (cf: P.L.1992, c.53, s.3)

28 3. This act shall take effect immediately.

## 31 STATEMENT

32  
33 This bill provides that the commissioners of joint insurance  
34 funds, established by counties, municipalities or certain  
35 contracting units, may transfer the functions, powers and duties  
36 relating to the investment and reinvestment of these funds to an  
37 investment or asset manager. In addition, the bill provides that  
38 the commissioners have the authority to direct the investment  
39 and reinvestment strategy of funds which they have transferred  
40 to the Director of the Division of Investment in the Department  
41 of Treasury. The bill authorizes the director to invest and  
42 reinvest joint insurance funds pursuant to the written directions  
43 of the commissioners. If the commissioners have designated an  
44 investment or asset manager, the bill also provides that the  
45 designated manager may also oversee and provide advice to the  
46 division on the purchase, sale or exchange of any investments,  
47 securities or other moneys for the fund.

48 Currently, the law makes no specific provision for the  
49 continued involvement of the fund commissioners with regard to  
50 investment and reinvestment strategy, if funds have been  
51 transferred to the division for investment on behalf of the joint  
52 insurance fund. This bill would clarify that the commissioners  
53 may retain control of the investment and reinvestment of joint  
54 insurance funds, subject to and in accordance with the standards

1 governing the investment of other funds which are managed under  
2 the rules and regulations of the State Investment Council.

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7 Allows certain joint self-insurance funds discretion regarding  
8 funds transferred to Division of Investment.

ASSEMBLY INSURANCE COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 2436**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MARCH 23, 1995

The Assembly Insurance Committee reports favorably and with committee amendments, Assembly, No. 2436.

As amended by the committee, this bill provides that the commissioners of joint insurance funds, established by counties, municipalities or certain contracting units, may, subject to the cash management plan of the fund established as required pursuant to the "Local Fiscal Affairs Law," N.J.S. C.40A:5-1 et seq., delegate any of the functions, powers and duties relating to the investment and reinvestment of these funds to an investment or asset manager. The bill requires that there be a written contract for services between the joint insurance fund and any such manager, which is required to be filed with both the Departments of Community Affairs and Insurance. The bill safeguards against the practice of "churning" by specifying that compensation to the investment or asset manager shall not be based upon commissions related to the purchase, sale or exchange of any investments, securities or funds.

In addition, the bill provides that the commissioners have the authority to direct the investment and reinvestment strategy of funds which they have transferred to the Director of the Division of Investment in the Department of Treasury. The bill authorizes the director to invest and reinvest joint insurance funds pursuant to the written directions of the commissioners.

If the commissioners have designated an investment or asset manager, the bill requires them to provide a written notice to the director detailing the extent of the authority delegated to that manager. The bill further provides that the designated manager may oversee and provide advice to the division on the purchase, sale or exchange of any investments, securities or other moneys for the fund, which investments are strictly regulated in accordance with the "Local Fiscal Affairs Law."

The bill also permits the joint insurance fund to invest in debt obligations of federal agencies or government corporations with maturities not to exceed ten years from the date of purchase, provided these investments are purchased through the Division of Investment and are invested consistent with the rules and regulations of the State Investment Council. The bill expressly prohibits investments in mortgage backed or derivative obligations.

Currently, the law makes no specific provision for the continued involvement of the fund commissioners with regard to investment and reinvestment strategy, if funds have been transferred to the division for investment on behalf of the joint insurance fund. This bill clarifies that the commissioners may retain control of the investment and reinvestment of joint insurance funds, subject to and in accordance with the standards governing the investment of other funds which are managed under the rules and regulations of the State Investment Council.

SENATE COMMERCE COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 2436

STATE OF NEW JERSEY

DATED: SEPTEMBER 28, 1995

The Senate Commerce Committee reports favorably Assembly, No. 2436 (1R).

This bill provides that the commissioners of joint insurance funds, established by counties, municipalities or certain others, may, subject to the fund's cash management plan established as required pursuant to the "Local Fiscal Affairs Law," N.J.S.40A:5-1 et seq., delegate any of the functions, powers and duties relating to the investment and reinvestment of these funds to an investment or asset manager. The bill requires that there be a written contract for services between the joint insurance fund and any such manager, which is required to be filed with both the Departments of Community Affairs and Insurance. The bill safeguards against the practice of "churning" by specifying that compensation to the investment or asset manager shall not be based upon commissions related to the purchase, sale or exchange of any investments, securities or funds.

In addition, the bill provides that the commissioners or a designated investment or asset manager have the authority to direct the investment and reinvestment strategy of funds which the commissioners have transferred to the Director of the Division of Investment in the Department of Treasury. The bill authorizes the director to invest and reinvest joint insurance funds pursuant to the written directions of the commissioners or their designated manager. Moneys of the fund must be invested in accordance with the "Local Fiscal Affairs Law." Currently, the law makes no specific provision for the continued involvement of the fund commissioners with regard to investment and reinvestment strategy when funds are transferred to the division for investment on behalf of the joint insurance fund. This bill clarifies that the commissioners may retain control of the investment and reinvestment of joint insurance funds, subject to and in accordance with the standards governing the investment of other funds which are managed under the rules and regulations of the State Investment Council.

If the commissioners have designated an investment or asset manager and moneys held by the fund are to be transferred to the director for investment, the bill requires them to provide a written notice to the director detailing the extent of the authority delegated to that manager.

The bill also permits the joint insurance fund to invest in debt obligations of federal agencies or government corporations with maturities not to exceed ten years from the date of purchase, provided these investments are purchased through the Division of Investment and are invested consistent with the rules and regulations of the State Investment Council. The bill expressly prohibits investments in mortgage backed or derivative obligations.