

POOLED INSURANCE PROGRAM OF NEW JERSEY

AMENDED BY-LAWS

BE IT KNOWN, that on February 27, 1984 certain school boards in the State of New Jersey formed a School Board Insurance Group in conjunction with the Pooled Insurance Program of New Jersey (the "Pool" or "Fund") organized under the laws of New Jersey and agreed to be bound by these By-Laws, on March 14, 2001. The school boards comprising the Pool agreed to amend their By-Laws to comply with the requirements of N.J.A.C. 11:15-4.6 (effective 6/17/96). The name of this Fund shall be Pooled Insurance Program of New Jersey. The Fund lists its principal office annually in its risk management program. The charter members of the Fund are as follows:

Bloomington Board of Education

Jefferson Board of Education

Butler Board of Education

Kinnelon Board of Education

Haledon Board of Education

Lakeland Regional Board of Education

Montville Board of Education

Parsippany-Troy Hills Board of Education

Pompton Lakes Board of Education

Riverdale Board of Education

Springfield Board of Education

Wanaque Board of Education

Wayne Board of Education

West Milford Board of Education

WITNESSETH:

WHEREAS, the participants in the Pooled Insurance Program of New Jersey desire to establish and operate a Fund for its members, pursuant to which such members may pool their liabilities for workers' compensation under Chapter 15 of Title 34 of the New Jersey Revised Statutes or for other risks; and

WHEREAS, to effectuate the aforesaid purpose, it is desired to create a trust to establish a Fund to be used in the manner hereinafter set forth; and to be governed by a risk management program which the Board of Directors shall establish.

NOW, THEREFORE, in consideration of the premium and in order to operate the Pool, the Participating Members (as hereinafter defined) mutually understand and agree to comply with the following By-Laws:

ARTICLE 1

DEFINITIONS

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

1.1 "Actuary" (or "Actuarial Services") means a person who is a Fellow in good standing with the Casualty Actuary Society with three (3) years recent experience in loss reserving or an Associate in good standing with such society with five (5) years recent experience in loss reserving.

1.2 "Administrator" - A person, partnership, corporation or other legal entity engaged by the Fund Directors, as defined herein, to act as Executive Director to carry out the policies established by the Joint Insurance Fund Directors and otherwise administer and provide day-to-day management of the Fund. The Administrator may also be the lead agency or employee of the Fund, a Fund member or an independent contractor. The Administrator, upon appointment shall retain all books, records, files, documents and equipment of the Fund pursuant to N.J.A.C. 11:15-4.4(f). The Administrator, its employees, officers, or directors, shall not be employees, officers or directors of

or have either direct or indirect financial interests in any other Fund servicing organization, unless notice of such interest has been provided to the Fund Directors pursuant to N.J.A.C. 11:15-4.26.

1.3 "Agreement" - An instrument, including any amendments thereto and modifications thereof in conformity with the terms hereof.

1.4 "Allocated Claims Expense" - Attorneys' fees, expert witness fees (i.e., engineers, physicians, etc.), medical reports, professional photographer's fees, police reports and other similar expenses.

1.5 "Auditor" - The auditor shall be an independent certified public accountant ("CPA") and not a Representative. The Auditor shall conduct the annual audit of Fund and shall perform such other duties as provided for by the Fund Directors, these By-Laws and in accordance with the laws and regulations of the State of New Jersey.

1.6 "Bureau" - The Compensation Rating and Inspection Bureau, 60 Park Place, Newark, New Jersey 07102.

1.7 "Claims Administrator" - The Fund may retain a person to serve as Claims Administrator. The Claims Administrator and its employees shall not be a Representative or hold a financial interest in any other organization serving the Fund, unless said conflict is waived by the Fund. The Claims Administrator shall review all incoming claims, maintain all records associated with the defense or prosecution of such claims, negotiate, in conjunction with General Counsel or other defense counsel, the settlement of such claims and recommend development of reserves for each case to the Board in accordance with these By-Laws. The Claims Administrator, its employees, officers, or directors, shall not be employees, officers or directors of or have either direct or indirect financial interests in any other Fund servicing organization, unless notice of such interest has been provided to the Fund Directors pursuant to N.J.A.C. 11:15-4.26.

1.8 "Commissioner" - The Commissioner of the New Jersey Department of Banking and Insurance.

1.9 "Consultant" - Any person, partnership, corporation or other legal entity who, for a fee, commission or other consideration, acts or holds himself out to the public or any licensee as offering any advice, counsel, opinion or service with respect to issues within the realm of their expertise. A consultant may be retained by the Fund on any matter deemed appropriate by the Board of Directors, including, but not limited to, responsibilities that may be typically handled by any Servicing Organization, including those that fall within the definitions of "Extraordinary Unspecifiable Services" or "Professional Services" pursuant to N.J.S.A. 18A:18A-1, et seq. A consultant may also be retained by a Participating Member in furtherance of its membership duties detailed at Article 3.5.

1.10 "Custodian of Funds" (or "Treasurer") - The Custodian of Funds shall have the following duties:

- (1) Manage or maintain Fund financial assets and related trust funds.
- (2) Recommend approval to the Fund of receipts, disbursements and financial records.
- (3) Prepare cash management plan.
- (4) Recommend investment alternatives and strategies.
- (5) Undertake other duties as designated by the Directors in accordance with the By-Laws and the laws and regulations of the State of New Jersey.

1.11 "Department" - The New Jersey Department of Banking and Insurance.

1.12 "Directors" - Those persons elected by and among the Representatives to constitute the board of directors to administer the Fund in accordance with these By-Laws. As used herein,

Directors shall be deemed to be synonymous with the term "Trustees" referenced in N.J.A.C. 11:15-4.1 et seq.

1.13 "Employer's Liability" - 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 or her employment by the public employer, which is not covered by the New Jersey Workers' Compensation Statute, N.J.S.A. 34:15-7, et seq.

1.14 "Excess Carrier" - An insurer that provides excess insurance or reinsurance to the Joint Insurance Fund.

1.15 "Excess Insurance" - Insurance purchased from an insurance company authorized or admitted in the State of New Jersey or deemed eligible by the Commissioner of Insurance as a surplus lines insurer, covering losses in excess of an amount established between the Joint Insurance Fund and the Insurer up to the limits of coverage set forth in the Insurance Contract on a specific, per occurrence, per accident or annual aggregate basis.

1.16 "Fund Period" or "Plan Period" - A period of one year beginning at 12:01 A.M. on July 1 of each Fiscal Year (at its inception, the Plan Period ran from July 1, 1984 to June 30, 1985).

1.17 "General Counsel" means the attorney or law firm retained by the Fund to serve as inside counsel to the full membership and the Directors and where no conflict exists, to represent the Fund at its discretion, in the defense or prosecution of specific claims.

1.18 "Hazardous Financial Condition" means that, based on its present or reasonably anticipated financial conditions, the 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.

1.19 "Incurred Claims" - Liability which occurs during a Fund Period, including claims reported or paid beyond the given Fund Period.

1.20 "Indemnity and Trust Agreement" - The written Agreement signed by duly authorized representatives of each Member (as hereinafter defined) under which each agrees to jointly and severally assume and discharge the liabilities of each and every Member arising from their participation in the Fund. The Agreement shall also create a trust and govern the operation thereof under which monies shall be held by the Fund Representatives as fiduciaries for the benefit of Fund claimants.

1.21 "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 which, 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.

1.22 "Insurer" - Any corporation, association, partnership, reciprocal exchange, interinsurer, Lloyd's insurer or other person engaged in the business of insurance pursuant to Subtitle 3 of Title 17 of the Revised Statutes and authorized to do business in the State of New Jersey by the Department.

1.23 "Joint Insurance Fund," "Pool" or "Fund" means this joint self-insured fund, established by the Members pursuant to N.J.S.A. 18A:18B-1, et seq. The joint self-insured fund is a fund of public moneys from contributions made by Members for the purpose of securing

insurance protection with regard to workers' compensation or other coverages, including, but not limited to, payment of risk management, actuarial, excess insurance, legal or related services as authorized by N.J.S.A. 18A:18B-1, et seq.

1.24 "Marketing and New Business Coordinator" means a Person licensed as an insurance producer in this state who on behalf of the Fund, develops a comprehensive new member marketing program, prepares presentations on the Pooled Insurance Program of New Jersey to interested potential new members with support of the Executive Director.

1.25 "Member" or "Participating Member" means a school board which is a member of this Pool.

1.26 "Motor Vehicle and Equipment Liability" means liability resulting from the use or operation of motor vehicles, equipment or apparatus owned by or controlled by the participating Member, or owned by or under the control of any subdivision thereof including its departments, boards, agencies or commissions for which an Insurance Fund may be established as authorized under N.J.S.A. 40A:10-36.

1.27 "Net Current Surplus" - The amount of monies in a trust account established pursuant to N.J.A.C. 11:15-4.6(b)10 that is in excess of all costs, earned investment income, refunds made pursuant to N.J.A.C. 11:15-4.21, 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 recoverable per occurrence or aggregate excess insurance or reinsurance for a particular year.

1.28 "Occurrence" means an accident, including continuous or repeated exposure to conditions which results in injury or damage neither expected nor intended from the standpoint of any Fund Member.

1.29 "Person" means an individual, corporation, partnership, local government unit or other legal entity.

1.30 "Probable Net Cost" means the estimated ultimate undiscounted cost of claims incurred during a Fund Period plus the cost of allocated claims expense and other costs of operating the Fund until all claims incurred during the Period are settled.

1.31 "Property Damage" means any loss or damage, however caused, on property or apparatus owned by any Member or owned by or under the control of any of its departments, boards or agencies for which an Insurance Fund may be established.

1.32 "Representative" means the person appointed by each member to represent the interests of that Member in the Fund. The Representative shall be the appointed secretary of the Participating Member unless another Representative is duly appointed by the Participating Member. The Representatives shall jointly elect, with the right of one vote for each Representative, the Directors of the Fund as further described under Article 9.1.

1.33 "Risk Management Program" means that plan and activities carried out under the plan, by the Pool, to reduce risk of loss with respect to a particular line of insurance protection or coverage provided by this Joint Insurance Fund pursuant to N.J.S.A. 18A:18B-1, et seq., including safety engineering and other loss prevention and control techniques. The Risk Management Program shall also include the administration of one or more funds, including the processing and defense of claims brought against or on behalf of the Members of the Fund.

1.34 "Service Agent" shall be that person designated by the Directors to whom all official correspondence and/or claims are to be transmitted. The Service Agent shall be (i) a Director, or (ii) a Servicing Organization.

1.35 "Servicing Organization" - 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 Board of Directors, 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. 18A:18B-1, et seq. and N.J.A.C. 11:15-4.1, et seq. and such other duties as designated by the Fund. Each contract with a Servicing Organization providing claims adjustment and administration services shall include the following clause pursuant to N.J.A.C. 11:15-4.6(c): "Unless the Board otherwise permits, the servicing organization shall handle to their conclusion all claims and other obligations incurred during the contract period."

1.36 "Treasurer" - (See "Custodian of Funds").

1.37 "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.

1.38 "Workers' Compensation Law" - The provisions of N.J.S.A. 34:15-7 et seq.

ARTICLE 2

CREATION AND PURPOSE

2.1 The parties do hereby create and establish a Fund to be known as the Pool. By execution of this Agreement, the Directors accept the provisions hereof and agree to hold and administer all the funds received by them for the uses and purposes hereinafter expressed. All monies, assessments, funds and other assets of the Fund shall be under the exclusive control of its board.

2.2 The Fund shall be subject to and operate in compliance with the provisions of the Public School Contracts Law, N.J.S.A. 18A:18A-1 et seq. and the applicable regulations.

2.3 The purpose of this Agreement is to provide a means for participating Members of the Pool to create a Fund, which may be used to pay specified losses or expenses incurred by such participating Members under the New Jersey Workers' Compensation Law or Employers' Liability statutes or for insuring such other liabilities as allowed pursuant to N.J.S.A. 18A:18B-1 et seq.; to purchase reinsurance or excess insurance contracts for the benefit of the Fund from admitted or eligible surplus lines insurers [domestic or foreign insurers]; to provide essential protection to Participating Members; to effect and return to Participating Members cost savings in the administration of such a Fund, thereby reducing the cost of conventional insurance coverage.

2.4 At the discretion of the Pool's Directors and subject to amendment and approval of an Amended Risk Management Plan pursuant to N.J.A.C. 11:15-4.7, the scope of coverage provided by the Pool and offered to the Participating Members may be expanded to include any one or more of the following hazards:

2.4.1 Any loss or damage to its property, real or personal, motor vehicles,

equipment or apparatus;

2.4.2 Any loss or damage from liability resulting from the use or operations of motor vehicles, equipment or apparatus owned or controlled by Participating Members;

2.4.3 Any loss or damage from liability for its own acts or omissions of Participating Members' officers, employees or servants arising out of and in the course of the performance of their duties, including, but not limited to, any liability established by the "New Jersey Tort Claims Act," or any federal or other laws;

2.4.4 Expenses of defending any claim against Participating Member officers, employees or servants arising out of and in the course of the performance of their duties, whether or not liability exists on the claim; and

2.4.5 Such other hazards or liabilities allowed pursuant to N.J.S.A. 18A:18B-1 et seq.

ARTICLE 3

MEMBERSHIP / PARTICIPATION

3.1 Any New Jersey school board may apply to become a Participating Member in this Pool provided it agrees by Resolution to comply with these By-Laws and the standards for membership set forth herein, including Risk Management Programs which shall be established by the Pool. The Resolution shall provide for these By-Laws and execution of an Indemnity and Trust Agreement and acceptance and approval of these Fund By-Laws. The Indemnity and Trust Agreement shall (i) specify the extent of the Member's participation in the Fund, (ii) identify the line(s) of insurance coverage elected to be provided by the Fund, and (iii) the duration of its membership in the Fund, which, in no event, shall exceed three years. Participation in each line of coverage shall be separate and independent of each other line. Application for participation must be made in writing on a form prescribed by the Pool's Directors. Prior to acceptance of any application, the Directors may require prospective participants to provide such other information as the Directors may deem necessary.

3.2 Approval of participation shall be granted for only one Plan Period at a time. As set forth in more detail in Section 3.6 hereof, a Participating Member may be renewed for participation for the following Plan Period by submitting to the Directors or Service Agent such information as the Directors may require.

3.3 The benefits of participation and all rights of Participating Members shall be solely as defined by a Certificate of Coverage in the form prescribed by the Directors. Such Certificate shall be issued to each Participating Member when its application is accepted, and annually thereafter, if its participation is renewed.

3.4 All applicants to the Fund must include either a letter or resolution from an

authorized agent of the school board certifying that the Participating Member has never defaulted on claims if self-insured and has not been cancelled for non-payment of insurance premiums for a period of at least two years prior to application. The Board of Directors, at its sole discretion, may approve the application by majority vote based, by way of example and not limitation, on the following criteria:

- A) The applicant's claims history shows safety performance consistent with the Pool's objectives and the applicant's physical condition indicates a prospective likelihood of satisfactory future claim performance.
- B) A safety inspection and evaluation conducted by the Pool's safety consultant shows the applicant meets the Pool's safety standards including, but not limited to, an evaluation of physical plant, personnel, and operating procedures.
- C) The Pool has the administrative capability and financial support necessary to absorb the additional membership without undue inconvenience or strain.

3.4.1 If the membership application is approved by the Pool, it shall be concurrently filed with the Department of Banking and Insurance and shall be accompanied by such amendments to the Pool's By-Laws, risk management plan and budget as may be appropriate.

3.4.2 Prospective new members of the Fund shall submit an application for membership to the Fund's Board on a form acceptable to the Commissioner of the Department of Banking and Insurance. The application shall include a copy of the Resolution of Participation and executed Indemnity and Trust Agreement. The Board may approve or disapprove the application for additional members, pursuant to the terms of these By-Laws.

3.4.3 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 shall be accompanied by a revised budget with assessment detail, if otherwise required pursuant to N.J.A.C. 11:15-4.4(e), an actuarial statement regarding the adequacy of the member's assessment to cover

anticipated losses, and any amendments to the Fund's By-Laws and risk management program as may be necessary. In addition, the Fund shall file the following information in the form of Exhibit D in the Appendix incorporated to N.J.A.C. 11:15-4.9 with the Department within fifteen (15) days after 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 trustee;
- (e) the lines of coverage for which the new member participates.

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. The Fund shall retain a copy of all disapprovals for five years.

3.5 Membership Standards.

3.5.1 In addition to the obligations otherwise set forth in these By-Laws, as a condition of initial and continued membership, each Participating Member shall:

3.5.1.1 Form safety, risk management or other committees required by the Fund, actively participate in all Fund-sponsored programs and comply with safety and risk management procedures as required by the Fund;

3.5.1.2 Promptly comply with all requirements of the Fund;

3.5.1.3 Promptly pay all assessments charged to it;

3.5.1.4 Hire a consultant or designate an in-house employee having qualifications necessary, if required by the Fund, to assist the Participating Member on matters relating to the Fund's operations and coverages;

3.5.1.5 Indemnify the Fund from and against all claims arising from such Member's operations prior to joining the Fund for that particular line of insurance and from losses to the Fund occasioned by such Member's negligent or intentional misrepresentations on its application for membership in the Fund.

3.5.1.6 Appoint a Representative and an alternate Representative (the "Alternate") at least one of whom shall be an employee of the Participating Member, as the official representative of the Participating Member for purposes of attending Fund meetings, casting votes and participation on any Fund committees.

3.5.2 In addition to any other termination rights set forth in these By-Laws, failure of a Participating Member of the Fund to abide by any of the foregoing requirements shall be a basis for termination of said membership.

3.6 Membership Renewals, Termination or Withdrawal of Fund Members.

3.6.1 Membership Renewals.

3.6.1.1 Members desiring to renew their participation in the Fund shall advise the Fund in writing ("Renewal Notice") no less than ninety (90) days prior to the expiration of the Plan Period. If Renewal Notice is not properly and timely served, the Participating Member's membership shall be subject to termination proceedings detailed at 3.6.2.

3.6.1.2 In its sole discretion, the Fund may, by majority vote of the Fund Directors, deny any Participating Member's renewal application.

3.6.1.3 If a Member's renewal application is rejected, the Fund shall comply with the notice provisions that apply when the Fund terminates a Member as opposed to when a Member is withdrawing.

3.6.1.4 Non-renewal of a Fund Member does not relieve the Member of

responsibility for claims incurred during its period of membership. A Fund Member whose renewal application has been rejected or a Fund Member who elects to terminate participation shall remain liable for any unpaid premium or Assessment.

3.6.2 Termination and/or Withdrawal of Fund Members.

3.6.2.1 A Member of the Fund must remain a Member for the full Plan Period as provided in these By-Laws, unless earlier terminated by the Fund for non-payment of assessments, breach of the Indemnity & Trust Agreement, non-compliance with risk management, underwriting standards, or these By-Laws, or for other reasons subject to prior approval by the Fund and the Commissioner of the Department of Banking and Insurance as causes for expulsion. However, such Member shall not be deemed terminated for any reason until:

3.6.2.1.1 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;

3.6.2.1.2 Like notice shall have been filed with the Department, together with a certified statement that the notice provided for by 3.6.2.1.1 above has been given; and

3.6.2.1.3 Thirty (30) days have elapsed after the filing required by 3.6.2.1.2 has been made.

3.6.2.2 A Member of the Fund that does not provide its approval of any amendment to the Fund By-Laws and desiring to withdraw from the Fund pursuant to N.J.S.A. 18A:18B-4(b)8(d) and N.J.A.C. 11:15-4.1 et seq., in particular N.J.A.C. 11:15-4.10, shall provide the Administrator and General Counsel with written notice of its intent to withdraw within ninety

(90) days after the effective date of the subject amendment to the By-Laws. The Fund shall immediately notify the Department of all Members that have given notice of withdrawal from the Fund.

3.6.2.3 A Member that has been terminated by the Fund or who does not continue as a Member of the Fund shall nevertheless (i) share in any surplus in the appropriate Trust Accounts for that Fund year, (ii) 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 (as addressed in Section 4.13), and (iii) remain responsible for the payment of costs and expenses associated with the claims administration of claims filed against the withdrawing member during the period of its membership.

3.6.2.4 Upon information and belief that a Participating Member will no longer continue as a Member of the Fund, the Board shall order an audit of the withdrawing Participating Member's payroll for purposes of acquiring financial information for accurate premium calculation.

3.6.2.5 The Fund shall immediately notify the Department if termination or withdrawal of a member causes the Fund to fail to meet any of the requirements of N.J.S.A. 18A:18B-1, et seq. or N.J.A.C. 11:15-4.10. Within fifteen (15) days of such notice, the Fund shall advise the Department of its plan to bring the Fund into compliance.

3.6.2.6 A Fund Member is not relieved of the liabilities which may have been incurred during its period of participation in the Fund except through payment of those claims through the designated Trust Account of the Fund or by the Fund Member.

3.7 Pursuant to the provisions of Title 34 of the Revised Statutes of the State of New Jersey, the Participating Members agree that they are liable jointly for claims not paid pursuant to

Chapter 15 of Title 34 of the New Jersey Revised Statutes of 1937, with the right of indemnity among the Participating Member for each Participating Members's pro-rata share of the obligations. Each Participating Member shall have this contingent assessment liability for the payment of actual losses and expenses incurred while a Participating Member in the Trust Fund, but only to the extent that such losses and expenses are not paid by the excess coverage secured by the Fund.

3.8 Each Participating Member shall be bound by all of the terms and conditions of these By-Laws, the Indemnity and Trust Agreement and its application for membership in the Fund.

ARTICLE 4

PREMIUM PAYABLE BY PARTICIPATING MEMBERS

4.1 Assessments payable by a Participating Member shall be based upon an annual budget prepared by the Board. The annual budget shall be prepared not later than the time required by law for the preparation of the budget for school boards. The budget shall identify the proposed items and amounts of expenditures 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 trust 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 losses and administrative expenses associated with each fiscal year.

4.2 A copy of the Fund's proposed budget or any amendments thereto shall be made available to each member of the Fund 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 of the Fund the opportunity to present comments or objections.

4.3 Not later than June 30 of each year, the Board shall adopt by majority vote the budget for the Fund's operations for the subsequent fiscal year.

4.4 A copy of each adopted budget shall be filed with the governing body of each Participating Member and the Commissioner of the Department of Banking and Insurance 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.

4.5 An adopted budget may be amended by a majority vote of the membership or a majority vote of the quorum of the Board of Fund.

4.6 A copy of any amendment to the Fund's budget shall be filed quarterly with the governing body of each participating member.

4.7 A copy of any amendment to a Fund budget shall be filed with the Commissioner of the Department of Banking and Insurance within thirty (30) days of adoption of any budget amendment which either singularly or accumulatively with other adopted budget amendments changes the total budget 5% from the original budget or the latest filed amended budget.

4.8 Each Participating Member shall pay an annual premium ("Assessment") to the Pool commencing on the date its membership for participation is accepted, in amounts determined by the Directors, but in no event shall the contribution required to be paid by all Members for any year of Fund operation be less than \$500,000 unless otherwise approved by the Commissioner.

Unless otherwise approved by the Commissioner, assessments shall be based upon the Experience Rating Plan provided for in the New Jersey Workers' Compensation and Employers' Liability Insurance Manual on file with the Commissioner.

4.9 After determination of the amount of standard contribution developed by each Participating Member, the Directors, based on information supplied by the Administrator will

advise each Participating Member of the amount of the Assessment each will contribute to the operation of the Fund.

4.9.1 Assessments will be used for any excess or reinsurance premium, administration fee and monies for operation of the Pool. Each Member's annual assessment shall consist of an amount allocated for the administrative account, plus a specific assessment to establish and/or replenish the claim or loss retention trust fund account for each type of coverage provided by the Fund and in which such Member participates.

4.10 Determination of the amount of the Assessment to be paid by each Participating Member shall be made not later than the 1st day of June of each year and shall be communicated to all Participating Members not later than the 10th day of June for the Plan Period involved.

4.11 After being billed for their individual share of the Pool's cost, each Participating Member will be required to make payment to the Pool within 30 days from the date on which the amount of the Assessment is communicated to the Participating Member. If payment of the Assessment is not received within the prescribed time, the involved Participating Member may be terminated from the coverage provided by the Pool and the custodian shall notify the Commissioner in writing of the failure of a Participating Member to pay as directed pursuant to N.J.A.C. 11:15-4.17. In addition to the remedies set forth under Articles 3 and 4 of these By-Laws, at the discretion of the Directors, the Pool may institute litigation to recover any earned premium from the Participating Member who fails to make timely payments.

4.12 If a member becomes a Participating Member after the start of a plan year, such Participating Member's Assessment for that year shall be reduced in proportion to that part of the Plan Period which had elapsed prior to its becoming a Participating Member.

4.13 Supplemental Assessments.

4.13.1 Additional assessments ("Supplemental Assessments") may, from time-to-time, be levied upon Participating Members whenever needed as determined by the Board of Directors or when so ordered by the Commissioner of the Department of Banking and Insurance pursuant to N.J.A.C. 11:15-4.16(a). In accordance with the terms of N.J.A.C. 11:15-4.16(b), the Fund shall make a submission to the Commissioner of the Department of Banking and Insurance on the cause(s) of the fund's or account's insufficiency, the assessments necessary to replenish it and the steps taken to prevent a recurrence of such circumstances. Each Participating Member's share of a deficiency for which a Supplemental Assessment is made shall be computed by applying to the premium earned from the Participating Member during the period to be covered by the Supplemental Assessment the ratio of the total deficiency to the total premiums earned during such period upon all Participating Members subject to the Supplemental Assessment. The Assessment may also include a revised Experience Rate Modification for all participants as permitted by the Bureau so as to more equitably distribute the Assessment(s) by loss experience.

4.13.2 In computing the earned premiums for the purpose of assessments, the gross audited premium received by the Trust Fund for the policy period shall be used as a base.

4.13.3 No Participating Member shall have an offset against any assessment for unearned premium or loss payable.

4.13.4 Every Participating Member shall be liable for and pay his share of any assessment or Supplemental Assessment within thirty (30) days after he is notified of such assessment. Should any Member fail to pay any assessment, including any Supplemental Assessment, within 30 days of the due date as established in this Article 4, the Chairman, General Counsel or other designated agent of the Pool shall transmit a notice letter ("Notice") to such member, with a copy to the subject Member's attorney, advising of said delinquency and therein

making a demand for payment and also making reference to the Fund's remedies for delinquent payment as set forth in this article. If, within 30 days following delivery of the Notice, a Member fails to make payment in accordance with the Notice, interest shall be imposed on such delinquent amounts ("Late Payment Charge") in accordance with the following schedule:

- (1) 0% per annum on the first \$500 of delinquency;
- (2) 10% per annum on any amount in excess of \$500.

The above interest will be calculated from the date the assessment was first due until the date of actual payment. Any Member against whom such interest has been assessed shall have the right to appear before the Fund Board of Directors at any meeting within six months of the Notice in order to present its case for non-assessment or a reduced assessment of the Late Payment Charge. The Board of Directors may, with at least a majority of such membership in agreement, vote to remove or reduce such Late Payment Charge for such time as it so desires.

ARTICLE 5

BENEFITS ON BEHALF OF PARTICIPATING MEMBERS

5.1 The Fund shall pay on behalf of each Participating Member, in accordance with the coverage agreement and subject to limitations hereinafter set forth, all sums based upon benefit levels equal to those required by the Workers' Compensation or Employers' Liability laws arising out of an injury to employees during the Plan Period when the Participating Member was in fact a Participating Member in the Fund.

5.2 Benefits provided hereunder will be paid on behalf of a Participating Member with respect to a particular incident or claim only if (i) the Fund is notified immediately in writing by the Participating Member upon knowledge of any claim or awareness of any incident or circumstances in the reasonable judgment of the Participating Member likely to give rise to a claim, (ii) the

Participating Member forwards to the Fund immediately every formal petition or summons and complaint received by it with respect to such claim or incident, and (iii) cooperates with the Fund, the Board and its agents in their defense of any claim or prosecution of any related cost recovery action (as described in more detail in Section 6 hereof).

5.3 The Board shall direct the Claims Administrator or other person(s) charged with the task of processing, evaluating or settling claims to undertake such efforts with all reasonable diligence and, where the Fund has an undisputed obligation to make payment to any person, to promptly make such payments.

ARTICLE 6

LOSS RESERVES, CLAIM AND COMPLAINT HANDLING PROCEDURES

6.1 Loss Reserves Procedures. The Fund has provided procedures for the establishment, maintenance and administration of reserves for unearned assessments, loss reserves and loss expense reserves and for the determination and distribution of assessment and/or investment refunds, in accordance with sound actuarial principles, including the assumptions and methodology used. The loss reserves procedures generally utilized by the Fund are as follows:

6.1.1 The Claims Administrator is responsible for evaluating and establishing initial reserves on all claims.

6.1.2 The Administrator regularly reviews all open claims and modifies reserves as deemed necessary based upon current loss information.

6.1.3 The Directors and all participating members regularly receive full loss runs showing the current status of all claims for their districts.

6.1.4 The Actuary appointed by the Pool independently reviews current reported

claims cost and recommends, in accordance with standards of the American Academy of Actuaries, reserves for those claims incurred but not reported ("IBNR") to the Pool. The Actuary's report is included as part of the Auditor's report and is presented to the Members and to those other authorities requiring copies of the report.

6.2 Claim Handling Procedure

6.2.1 Registration: The Administrator or Claims Administrator shall, upon receipt of notice of claim, service of process, workers compensation petition or otherwise, cause said claim to be recorded and numbered, and be included on a monthly report to the General Counsel, Representatives and Board of Directors. The report, which shall be marked "Privileged and Confidential, Prepared in Anticipation of Litigation" or similar heading protective of available legal privilege, shall include the date of the claim, name of the claimant, nature of the claim and an approximate estimate of the potential loss if such can be estimated.

6.2.2 Coordination: The Administrator shall immediately forward copies of the notices of claim, as well as any other pertinent information, to the Claims Administrator, if one is retained by the Pool, and General Counsel. The Claims Administrator with the advice of General Counsel shall, where appropriate, select outside counsel for the defense of any such claims.

6.2.3 Claims Status Review: As soon as practicable, the Claims Administrator and Defense Counsel, if any, shall assess the value of each such claim and advise the Administrator and General Counsel as to the merits of said claim and establish a reserve which is to be reviewed and updated on no less than a quarterly basis.

6.2.4 Cost Recovery: Where appropriate, General Counsel shall undertake, or employ outside counsel to undertake the pursuit of reasonably available cost recovery actions for each such claim, including issuance of lien letters and prosecution of subrogation claims, among

others.

6.2.5 Claims Settlement: Pursuant to the terms of the Plan of Risk Management and N.J.A.C. 15-4.22(b), the Board shall establish monetary limits below which the Claims Administrator and/or General Counsel may agree to settlement of any claim without additional approval by the Board. As settlements have been concluded in accordance with these By-Laws and the Plan of Risk Management, the Claims Administrator and/or General Counsel shall report the disposition to the Administrator, who shall include same in a monthly report to the Board.

6.3 Complaint Handling Procedures

6.3.1 The Fund will acknowledge complaints submitted in writing to the Administrator, who shall then communicate same to the Directors at the next regularly scheduled meeting; at the sole discretion of the Board, such complaints may be referred for discussion in Closed Session.

6.3.2 The Directors in considering a complaint shall exercise reasonable discretion, take the action as deemed appropriate by a majority vote of the Board of Directors and shall direct the Administrator to so notify the complainant of the Fund's response. The Directors' decision shall be final, binding and non-appealable.

6.3.3 In the event that a complaint alleges fraud, bad faith or abuse of discretion on the part of a Director, or Directors, and the complainant is dissatisfied with the Directors' decision in resolving said complaint, it is agreed that such dispute or difference of opinion shall be submitted to arbitration. One Arbiter shall be chosen by each party to the decision, and an Umpire shall be chosen by the two Arbiters before they enter upon arbitration, all of whom shall be active or retired disinterested executive officers of insurance or reinsurance companies or have substantial insurance experience. In the event that either party should fail to choose an Arbiter within thirty

(30) days following a written request by the other party to do so, the requesting party may choose two Arbiters who shall, in turn, choose an Umpire before entering upon arbitration. If the two Arbiters fail to agree upon the selection of an Umpire within thirty (30) days following their appointment, the American Arbitration Association shall be named to appoint the Umpire. Each party shall present its case to the Arbiters within thirty (30) days following the date of appointment of the Umpire. The Arbiters shall consider this Agreement as an honorable engagement rather than merely as a legal obligation and they are relieved of all judicial formalities and may abstain from following the strict rules of law. The decision of the Arbiters shall be final and binding on both parties; but failing to agree, they shall call in the Umpire and the decision of the majority shall be final and binding upon both parties. Judgement upon the final decision of the Arbiters may be entered in any court of competent jurisdiction. Each party shall bear the expense of one Arbiter and shall jointly and equally bear with the other the expenses of the Umpire and of the arbitration. Any arbitration proceedings shall take place at a location mutually agreed upon by the parties to this Agreement. If the parties to this Agreement fail to agree upon a location, such arbitration proceedings shall take place in New Jersey.

6.3.4 The Administrator shall record all complaints as well as the disposition of same.

ARTICLE 7

COVERAGE AGREEMENT

7.1 Unless modified by the Board of Directors, the basic coverage agreement shall be as follows:

7.1.1 Coverage A - Worker's Compensation - To pay promptly when due all

compensation and other benefits required of the Participating Members by the Workers' Compensation law.

7.1.2 Coverage B - Employers' Liability - To pay on behalf of the Participating Members all sums which the Participating Member shall become legally obligated to pay as damages because of bodily injury or death by accident or disease, including death at any time resulting therefrom.

ARTICLE 8

REINSURANCE AND/OR EXCESS INSURANCE

8.1 The Fund shall maintain a contract or contracts of excess insurance securing the excess insurance or reinsurance securing both single accident (single occurrence), excess insurance, and aggregate excess insurance to the extent required by and in accordance with the terms of N.J.A.C. 11:15-4.23 and sound actuarial principals and the Plan of Risk Management for the payment of statutory worker's compensation benefits and employer's liability benefits as determined by the Board or as required by the Commissioner. Certificates of excess insurance and/or reinsurance showing policy limits, specific and aggregate retentions (if applicable), and other information shall be made available for the inspection of each Participating Member and shall be filed with the Commissioner. Losses in excess of the established self-insurance retention pursuant to N.J.A.C. 11:15-4.23 shall be borne by the excess carrier(s) according to the terms and conditions of the excess contract(s). Any proposed changes to be made to the single accident (single occurrence) excess insurance if the Fund's single accident (single occurrence) limit of liability as set forth in its proved Plan of Risk Management is equal to or less than its single accident (single occurrence) self-insured retention shall be approved the Department of Banking and Insurance.

ARTICLE 9

FUND OPERATION

9.1 The Fund shall be administered by the Board of Directors. The number of Directors will be determined as follows:

9.1.1 Eight or less Participating Members - three Directors; Nine to Thirteen Participating Members - five Directors; fourteen or more Participating Members - seven Directors.

9.1.2 The Directors shall be elected at the Annual Meeting, as defined in Section 9.4.1 hereof, by the Representatives of the Fund, who shall vote in accordance with Section 9.7 hereof.

9.1.3 The Directors shall then elect a Chairman, a Secretary and such other Officers as may be deemed necessary. In addition, the Board of Directors may appoint up to two experienced insurance brokers/consultants to serve on the Board without vote.

9.2 The initial Board of Directors shall be elected on staggered terms, over a three-year interval. The term of office of all future Directors shall be at the discretion of the Representatives voting at each Annual Meeting. The election of a Representative to the position of Director shall be construed to be a personal appointment and not an assignment of that position to the Pool Member whom the Representative serves.

9.3 Terms and Conditions.

9.3.1 A Director may resign at any time by giving thirty (30) days advance written notice to the Secretary at the principal office of the Pool. Such resignation shall take effect at the start of the working day on which it is received or any later time specified therein. Unless otherwise specified therein, the acceptance of a resignation shall not be necessary to make it effective.

9.3.2 Each Director shall be a natural person 18 years of age or older who is a resident of New Jersey. A majority of the Directors must be members or employees of member Boards of Education. Any Director ceasing to be such member or employee of a member Board can serve as a Director for no more than ninety (90) days thereafter.

9.3.3 No Director shall be paid a salary for their service as a Director, except for actual expenses incurred on behalf of the Fund and for compensation not to exceed \$200.00 for any day or portion of a day spent at a meeting of the Directors. The foregoing shall not preclude a Director from serving as a Servicing Organization so long as the retention of a Director in such capacity complies with N.J.A.C. 11:15-4.26.

9.3.4 Any Director may be removed from office at any time, with cause, by a majority vote of the Board of Directors of the Pool.

9.3.5 Any vacancy resulting from the resignation, removal or death of a Director shall be filled by a majority vote of all Representatives in attendance at a special meeting to be called by the Directors within thirty (30) days of such resignation, removal or death.

9.3.6 A Director will be deemed to have resigned in the event that his/her school district elects to withdraw its participation in the Plan or is terminated pursuant to Section 3.6 hereof.

9.4 Meetings.

9.4.1 An annual meeting ("Annual Meeting") of the Directors shall be held on a selected date or if said day be a legal holiday, then on the next succeeding day not a legal holiday, for the purpose of the Administrator making a report on the status of the Trust Fund to the Board of Directors. Such meeting shall be held on the first Monday in May at a place and time to be determined by the then presiding Directors. Meetings of the Board of Directors to review the business of the Fund shall also be held, at a minimum, once every three months.

9.4.2 Special meetings of the Directors, for any purpose, may be called by its Chairman at any time. Upon the written request of a majority of the Directors, the Chairman shall call a special meeting, not less than ten (10) days nor more than thirty (30) days after the receipt of said request.

9.4.3 All meetings shall be subject to the Open Public Meetings Statute and shall be held at locations to be determined by the Directors following appropriate written notice to all members.

9.5 The Directors shall, by resolution passed by a majority of the entire Board, appoint Representatives (whether members of the Board or otherwise) to serve on one or more committees. Any such committee, unless otherwise provided by the resolution of the Board creating the same, shall not have the authority to bind the Board or the Pool unless so authorized by a majority vote of the Board on a case-by-case basis.

9.6 Closed Session shall be conducted by the Fund's General Counsel at the General Meetings of Fund and in order to discuss matters of a privileged and/or confidential nature, including, but not limited to, litigation or matters in petition or anticipated to be the subject of litigation. During Closed Session the Directors may elect to exclude any individual who (i) may

have an interest adverse to the Fund or (ii) has failed to execute and adhere to the terms of a written confidentiality agreement with the Fund. The General Counsel shall maintain a record of the actions taken in Closed Session.

9.7 Acts and decisions of the Directors shall be by a majority vote of a quorum of the Directors present. A quorum shall consist of a majority of the Directors.

9.8 Except for gross negligence or willful misconduct, no Director shall incur any individual liability for any act or failure to act pursuant to this Trust Agreement.

9.9 In the event that any dispute shall arise as to any act to be performed by the Director, the Directors may postpone performing such act, until adjudication of such dispute shall have been made by a court of competent jurisdiction or they shall have been indemnified to their satisfaction against any loss which may be incurred by them on account of performing such act, provided, however, that no Director may be indemnified for a willful act of fraud or willful breach of a fiduciary duty.

ARTICLE 10

DUTIES OF DIRECTORS

10.1 The Directors shall:

10.1.1 Establish the underwriting guidelines for the Fund in accordance with accepted and sound actuarial practices and act upon applications of prospective participants;

10.1.2 Act upon cancellation and nonrenewals of Participating Members;

10.1.3 Make loss prevention recommendations which shall be followed by the Participating Members;

10.1.4 Issue or cause to be issued a Certificate of Coverage to each Participating

Member setting forth the rights, duties and obligations of the Participating Member and the Fund;

10.1.5 Prepare and distribute to Participating Members such rules and regulations as the Directors may deem necessary for the operation of the Fund;

10.1.6 To deposit the premiums payable to the Fund through the Pool in a National or State chartered bank in accordance with the authority granted to the Pool by Statute. Such premiums will be collected by a Participating Member acting as a Local Education Agency ("LEA") and immediately deposited by said LEA to the designated bank. The Participating Member acting as the LEA shall not incur any additional obligations or responsibilities as a result of such actions except as above stated;

10.1.7 To invest and reinvest moneys held in trust under any fund in investments which are approved for investment by regulation of the State Investment Council for surplus public moneys of the State or, at the discretion of the Pool Directors, to transfer moneys held in trust under any fund to the Director of the Division of Investment in the Department of Treasury or investment on behalf of the Directors in accordance with the standards governing the investment of other funds which are managed under the rules and regulations of the State Investment Council. However, any moneys transferred to the Director for Investment may not thereafter be withdrawn except upon withdrawal of a member from the group or a fund or termination of the group or a fund in specific amounts in payment of specific claims, administrative expenses or member dividends upon affidavit of the Chairman of the Pool Directors.

10.1.8 Set aside annually from the assets of the Fund such funds as the Directors shall deem necessary to cover the cost of operating the Fund, and keep all funds which are not needed or current operations properly invested;

10.1.9 As claims are received from Participating Members, set aside suitable

reserves proposed by the Administrator, to cover the potential liability of the Fund under such claims. 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 charges or commitments to be accepted;

10.1.10 Keep records which shall show the operation of the Fund and prepare an annual accounting which shall show the assets and liability of the Fund as of the end of each year, as well as the receipts and expenditures of the Fund during that year;

10.1.11 Cause a certified audit of the Fund and an actuarial opinion statement in loss reserves pursuant to the Loss Reserve Opinion Rules, N.J.A.C. 11:1-21, to be prepared and filed annually with the Commissioner;

10.1.12 Determine and establish contributions and rates, loss reserves, surplus, limits of coverage, limits of excess insurance or reinsurance, coverage documents, refunds and other financial and operating policies of the Fund; and

10.1.13 Provide that any and all expenditures of Fund monies shall be in furtherance of the purposes of the Fund.

ARTICLE 11

POWERS OF THE DIRECTORS

11.1 The Directors shall have all powers necessary for the performance of their duties, including specifically, by way of illustration but not of limitation, the power:

11.1.1 To authorize the Administrator to compromise, adjust, arbitrate, litigate, abandon, or otherwise deal with and settle claims in favor of or against the Trust or against a Participating Member as to which the Participating Member has filed a claim with the Trust;

11.1.2 To purchase, acquire, hold, lease, sell and convey real and personal property, all of which property shall be exempt from taxation under N.J.S.A. 54:4-1, et seq.;

11.1.3 To collect and disburse all money due to or payable by the Fund;

11.1.4 To enter into contracts with other persons (including but not limited to Servicing Organizations) or with public bodies of the State of New Jersey for any professional, administrative or other services as may be necessary to carry out the purposes of this Fund;

11.1.5 To purchase and serve as the master policyholder, if desired, for any insurance, including excess insurance or reinsurance;

11.1.6 To prepare, or cause to be prepared, a Risk Management Program for the Pool;

11.1.7 As the need arises, from time-to-time, to amend these By-Laws and Risk Management Program of the Fund pursuant to N.J.S.A. 18A:18B-4 and N.J.A.C. 11:15-4.6; and

11.1.8 To do all things necessary and proper to carry out the purposes for which the Pool is established.

ARTICLE 12

CLAIMS ADMINISTRATOR

12.1 The Claims Administrator shall undertake or assign or otherwise delegate the performance of the following duties:

12.1.1 Furnish Pool Participating Members with safety inspections and loss prevention services, including, but not limited to, on site inspections, presentation of slides and films, as well as safety bulletins and loss prevention meetings specifically directed to the operations of the Participating Members;

12.1.2 Maintain a centralized reporting system for Participating Members to refer all claims falling within the purview of the Fund;

12.1.3 Supervise all reported claims to assure strict medical control and minimize medical expenses related to claims;

12.1.4 Compromise, adjust, litigate or otherwise deal with and settle claims as authorized by the Directors;

12.1.5 Recommend experienced counsel to defend litigation brought against Participating Members by their employees, subject to the approval of the Directors;

12.1.6 Provide statistical information on claims of Participating Member in the Trust;

12.1.7 Provide underwriting capability risk management services to the Directors for rating Participating Members in the Trust;

12.1.8 Obtain excess insurance or reinsurance coverage with representative insurers or reinsurers and submit such quotations for approval to the Directors.

ARTICLE 13

EXCESS INSURANCE

13.1 The Fund shall purchase excess insurance in a form and in an amount acceptable to the Pool Directors and the Commissioner and from an insurance carrier acceptable to the Commissioner, pursuant to these By-Laws and N.J.A.C. 11:15-4.23.

13.2 The excess policy coverage shall include an annual aggregate loss limitation as established by N.J.A.C. 11:15-4.23.

13.3 The excess coverage shall also include a per occurrence limitation.

13.4 No later than one (1) month before the beginning of the Fund Plan Period, the Administrator shall notify all Participating Members of any significant change in the coming year's excess insurance or reinsurance policies or contracts. The Administrator shall also notify the Participating Members in any changes in the policies which occurred during the year.

13.5 Certificates of Excess Insurance or Reinsurance showing policy limits and other information shall be filed with each Participating Member and the Commissioner. Copies of all policies shall be provided upon request.

13.6 In accordance with the provisions of N.J.A.C. 11:15-4, the Fund may request relief from the Department for the requirement to provide excess insurance.

ARTICLE 14

MISCELLANEOUS PROVISIONS

14.1 The establishment of the Trust shall not be construed as giving any Participating Member or person, whether or not a member of the Pool, any legal or equitable right as against the Pool, the Directors or the corpus of income of the Fund unless such right is specifically provided for in this Agreement.

14.2 In case any provision of these By-Laws shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining parts of these By-Laws and these By-Laws shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

14.3 These By-Laws shall be construed in accordance with the laws of the State of New Jersey, specifically, N.J.A.C. 11:15-4.6 and shall, wherever possible, be construed in accordance with the provisions thereof.

14.4 Unless provided otherwise by the Directors, the Fund shall operate on the Fiscal year from 12:01 A.M., July 1, to midnight, June 30.

14.5 The Trust, upon affirmative vote of not less than two-thirds of its Participating Members who vote on such merger, pursuant to due notice of the approval of the Department of the terms thereof, may merge with another fund.

14.6 If, as and when the Department shall amend rules and regulations regarding school board group self-insurance funds, these By-Laws shall be modified and/or amended to comply with said rules and regulations.

14.6.1 The Pool's By-Laws and amended By-Laws will be filed with and approved by the Commissioner and reasonable costs of the Commissioner's review of the By-Laws will be paid by the Pool.

14.6.2 The Fund shall cause its financial and claims operations to be examined and certified annually by a Certified Public Accountant and performed in accordance with generally accepted accounting principals, which shall include a statement of the organization of the Fund indicating the persons who performed each function for the Fund and the relationship and inter-dependency of each function, and including its balance sheet and receipts and disbursements for the proceeding year. Moreover, 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 shall be prepared and certified by an Actuary. A Certification by the presiding officer of the Board of Directors that periodic reports were made to Fund Members in the form and matter required by N.J.A.C. 11:15-4.4(h) shall be prepared on an annual basis. All such reports and certifications shall be filed with the Commissioner on an annual basis as required by the terms of N.J.A.C. 11:15-4.24 and on forms proscribed by the Commissioner. Additionally, quarterly and

annual statements of the financial condition of the Fund in a form acceptable to the Commissioner shall be filed within sixty (60) days after the end of each calendar year. After the initial two (2) years, the Fund shall file with the Department semi-annual, unaudited statements of the financial condition of the Fund in a form acceptable to the Commissioner within sixty (60) days after the end of each six (6) month period. The semi-annual report covering the six (6) month period ending June 30 shall include a compilation of the results reported in the semi-annual report for the period ending December 31 immediately proceeding. The Fund shall provide its members with periodic reports covering the activities and status of the Fund in the form and manner required by N.J.A.C. 11:15-4.4(h).

14.6.3 The Commissioner shall have authority to examine the books, records and affairs of the Pool for the purpose of determining compliance with the act permitting pooling by school boards, or at any time the Commissioner has reasonable cause to believe the Fund may be in a financial condition detrimental to its members or the public. The Pool shall pay the reasonable costs of any examination or review made by the Commissioner. The Directors may, upon majority vote, request that the Commissioner order an examination of any Participating Member which the Directors in good faith believe may be in a financial condition detrimental to other Participating Members. After notice and an opportunity for a hearing, the Commissioner may suspend or terminate the authority of the Fund or take any action deemed necessary for good cause pursuant to N.J.A.C. 11:15-4.8.

14.6.4 Information documenting an individual Participating Member's financial strength and liquidity shall be made available to the Department upon the Department's written request and in a form specified by the Department.

14.7 At its Annual Meeting, as defined in Section 9.4.1 hereof, the Directors shall cause

to be established a list of (i) depositors for the Fund's investments, and (ii) newspapers in which all official notices of the Fund will be published.

14.8 Action Against Fund: No action shall lie against the Fund, or Trust Account thereto, unless, as a condition precedent thereto, the Member shall have fully complied with all the terms of this Agreement, and not until the amount of the Member's obligation to pay shall have been finally determined by judgment or final settlement. Nothing contained in this Agreement shall give any person or organization or their legal representative any right to join the Fund as a co-defendant in any action against the Member to determine the Member's liability. No Member may bring suit against the Fund whether as a declaratory judgment or otherwise. All claims regarding the operation of the Fund or the insurance coverage provided hereunder shall be brought solely in an arbitration proceeding pursuant to the rules of the American Arbitration Association to be venued in Morris County, New Jersey.

14.9 Subrogation: In the event of any payment under the agreement, the Fund shall be subrogated to all rights of recovery therefore of the Member and any person entitled to the benefits of this agreement against any person or organization, and the Member and other beneficiary shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Member shall do nothing after any loss to prejudice the Fund's Subrogation rights.

14.10 Conflict of Interest: No official or employee of a Participating Member or any member(s) 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 that violates the dictates of N.J.S.A. 18A:12-21 et seq.

14.11 Conformance with Statute: In the event any portion of these By-Laws conflicts with any appropriate statute or administrative regulation covering joint insurance funds, the provision of any such statute or regulation shall control to the extent it conflicts.

14.12 Notice and Hearing; Orders: Upon prior written notice of any proposed suspension, revocation of authority, cease and desist order, or other enforcement action to the Directors or a Participating Member, the interested party involved shall have twenty (20) days from the mailing of the notice to request a hearing on the proposed enforcement action pursuant to N.J.A.C. 11:15-4.28 and N.J.A.C. 11:15-4.29.

14.13 Fund's Principal Office: The address of the Fund will be:

Pooled Insurance Program of New Jersey
c/o Burton Agency Inc.
PO Box 270, 44 Bergen Street
Westwood, NJ 07675

14.14 Fund's Principal Claims Servicing Address: The address of the Fund's claims servicing provider will be:

Inservco Insurance Services, Inc.
P.O. Box 67003
Lawrenceville, New Jersey 08648-6103

14.15 Participating Member Addresses: The name and address of each member is set forth in the attached list.

14.16 Release of Fund Records and Documents: All officers, employees and agents of the joint insurance fund, including the administrator and servicing organization of the fund, on the final day of their contract or employment shall surrender and deliver to their successors all accounts, funds, property, records, books and any other material relating to their contract or employment.

14.17 Refunds: Any monies for a Fund Period in excess of the amount necessary to pay all

obligations for that Fund Period for a given line of insurance as certified by the actuary may be declared to be refundable by the Fund no less than twenty four (24) months after the end of the fiscal period or as may be allowed pursuant to applicable statute or regulation. Such refunds shall be returned to each eligible participant in a manner established and approved by the Directors, if established, and in accordance with applicable State regulations. 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 must exceed 35 percent of unpaid claims for that fiscal year. Claims must be undiscounted and the IBNR reserve must be certified by an actuary.

ARTICLE 15

AMENDMENT AND TERMINATION OF FUND

15.1 The Board of Directors of the Participating Members may amend these By-Laws at any time by passage of a resolution approving said amendments with a vote of three-fourths (3/4) of the Participating Members, and is subject to approval by the Commissioner, provided that (a) no amendment shall increase the duties or liabilities of the Directors without their written consent; and (b) no amendment shall reduce the benefits of a Participating Member in the Fund for any year as to which the Participating Member has been and is at the time of the amendment a fully qualified Participating Member.

15.2 The Pool may terminate this Fund upon the following conditions:

(a) A majority of the Fund's Participating Members have voted in favor of a resolution to dissolve the Fund, pursuant to a written plan adopted pursuant to the procedures set forth in these By-Laws, at a meeting duly called for such purposes.

(b) Such termination shall be effective at the end of the then-current Plan. By an instrument in writing executed in the name of the Association by officers duly authorized to execute such instrument, and delivered to the Directors, provided, however, that if the Fund shall be terminated, procedures set forth in Section 15.2.1 et seq. will govern;

(c) The Plan of Dissolution shall provide for the payment of all unpaid losses of the Fund and its members, including all incurred, but not reported losses, and certified by an actuary, before any assets of the Fund or the trust fund accounts may be used for any other purpose.

(d) 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 principals as attested to by an independent Certified Public Accountant; and

(e) The Plan of Dissolution, and such other information as may be required, must be filed with an approved in writing by the Commissioner. The Plan shall be filed with the Commissioner not later than ninety (90) days prior to the proposed effective date of dissolution.

15.2.1 Such termination shall not reduce or terminate the benefits of any Participating Member in the Fund for any Plan Period as to which the Participating Member has been and is at the time of the amendment a fully qualified Participating Member in the Fund;

15.2.2 At the end of the then current Plan Period, the Directors shall set aside sufficient funds, at their discretion, to pay to Participating Members in the Fund, all benefits which they may be entitled to receive. The funds so set aside are hereafter referred to as the "Termination Reserve Fund";

15.2.3 The Fund shall continue as to the Termination Reserve Fund for the purpose of paying all benefits and satisfying all claims which may be outstanding against the Fund at the end of the Plan Period in which termination occurs;

15.2.4 When all benefits to which Participating Members are entitled under the Fund and all claims against the Fund have been paid or settled, the Directors shall distribute the balance remaining in the Termination Reserve Fund to the Participating Members who were Participating Members during the last year of the Trust in proportion to their respective premiums and the Trust shall thereupon terminate; and

15.2.5 During such time as the Directors are administering the Termination Reserve Fund, all of the provisions of this Fund relating to the Directors, including those provisions setting forth their powers and duties, shall be in full force and effect.

15.3 Service of process for the Pool may be served on the Chairman of the Pool Directors.

THUS DONE, READ AND PASSED at the March 14, 2001 PIP-NJ meeting in the State
of New Jersey,

MOVED:

SECOND:

VOTE:

DOMINIC BUTER, PRESIDENT

DATE

Pooled Insurance Program of New Jersey

Amended By-Laws

TABLE OF CONTENTS

	PAGE
ARTICLE 1	
DEFINITIONS	2
ARTICLE 2	
CREATION AND PURPOSE	10
ARTICLE 3	
MEMBERSHIP/PARTICIPATION.....	12
ARTICLE 4	
PREMIUM PAYABLE BY PARTICIPATING MEMBERS	18
ARTICLE 5	
BENEFITS ON BEHALF OF PARTICIPATING MEMBERS	22
ARTICLE 6	
CLAIMS HANDLING, LOSS RESERVES AND COMPLAINT HANDLING PROCEDURES	23
ARTICLE 7	
COVERAGE AGREEMENT.....	26
ARTICLE 8	
REINSURANCE AND/OR EXCESS INSURANCE.....	27
ARTICLE 9	
FUND OPERATION	28
ARTICLE 10	
DUTIES OF DIRECTORS	31

ARTICLE 11	
POWERS OF THE DIRECTORS	33
ARTICLE 12	
CLAIMS ADMINISTRATOR	34
ARTICLE 13	
EXCESS INSURANCE	35
ARTICLE 14	
MISCELLANEOUS PROVISIONS	36
ARTICLE 15	
AMENDMENT AND TERMINATION OF FUND	41