

Municipal Excess Liability
Joint Insurance Fund
Parsippany, New Jersey

Comprehensive Annual Financial Report
For the Years Ended December 31, 2018 and 2017

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
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INTRODUCTORY SECTION



Municipal Excess Liability Joint Insurance Fund

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 Parsippany, New Jersey 07054
Tel (201) 881-7632
Fax (201) 881-7633

April 26, 2019

Board of Fund Commissioners
 Municipal Excess Liability Joint Insurance Fund
 9 Campus Drive, Suite 216
 Parsippany, NJ 07054

Dear Fund Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Municipal Excess Liability Joint Insurance Fund (MEL) for the year ended December 31, 2018 is hereby respectfully submitted. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the MEL. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of the operations of the MEL as measured by the financial activity of its various membership years; and that all disclosures necessary to enable the reader to gain the maximum understanding of the MEL's financial affairs have been included.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, substantive highlights of the year, a list of the MEL's members, a list of the MEL's officers and an organizational chart. The financial section includes a management discussion and analysis of the financial activities, the basic financial statements, as well as the independent auditors' opinion on the basic financial statements. State schedules are provided pursuant to the specifications of the New Jersey Department of Banking and Insurance, which, along with the Department of Community Affairs, exercises regulatory control over the MEL. The statistical section includes selected data covering the last ten years that the MEL has been operational.

The MEL was formed under State statutes which authorize local government entities to pool resources to meet risk management needs. Specifically, along with local joint insurance funds, the MEL administers a program of self funding and commercial insurance, and reinsurance that provides protection to members in the areas of property, workers' compensation, and automobile, general, and optional excess professional liability. The MEL performs a number of tasks in accomplishing this mission, including contracting for support services such as claims and litigation management, loss control services and training, financial management and reporting, actuarial services, and general management.

The MEL's economic condition and its outlook continue to be strong. The MEL has provided its members with stable assessments, a long history of dividends, comprehensive insurance, and responsive service. These factors have resulted in steady growth. While the MEL is not expected to continue to grow at its historic rate because its market share is now so large, marginal growth or at least membership stability is expected.

MEL Initiatives

The MEL launched its new Risk Management Information/Operating System (RMIS) through Origami during 2018. MEL began the second phase of accepting monthly data from the various third party administrators and managed care organization affiliated with the MEL and JIFs into Origami. This will enable the MEL to increase its data analytics capabilities.

The MEL worked with QBE to develop a cooperative program to increase the sub-limits for Land Use Liability. In addition, the MEL approved a new policy for planning board members that requires each member to attend training in order to access the policy.

As part of its Employment Practices Risk Management Program, the MEL updated its Model Personnel Manual and provided Managers/Supervisory and Police Command Staff training to members.

In 2018, the MEL engaged the services of a Qualified Purchasing Agent to conduct a review of the MEL's procurement procedures.

The MEL continues to monitor legislation and highlights the impact of pending legislation on insurance costs and its member entities. During 2018, the MEL supported the legislature's efforts in passing legislation expanding JIF and MEL investment opportunities. The MEL also continue its efforts to suggest amendments to pending legislation concerning Firefighter's Cancer Presumption.

The MEL authorized its Fund Attorney to prepare an Amicus Brief in support of a New Jersey town in a claim filed by one of its employees in an attempt to pursue an employment claim from an issue that should be handled in workers' compensation. Although not a JIF member, if the employee had prevailed, it could have set a precedent and had a negative impact on the MEL's membership as well.

The Underwriting Manager was asked to secure quotes for higher optional limits. Beginning in 2019, the Underwriting Manager was able to provide local JIFs with shared aggregate limits above the MEL's current available optional limits.

Financial Management and Control

The financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and necessarily include amounts based upon reliable estimates and judgments. The MEL's books are maintained on a full accrual basis. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section. The MEL's financial statements differ from the State schedules listed in the supplementary data section as Schedules A through F, as discussed in Note 11 to the financial statements.

Internal Accounting Structure

The MEL's accounting system is organized so that each membership year, and line of coverage within each year, can be evaluated separately. The assets, liabilities, revenues, and expenses of each year and line of coverage are reported separately on a full accrual basis. This practice is necessary because the composition of the MEL's membership, and the extent of participation within each line of coverage, varies from year to year.

The MEL's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting

controls are designed to provide reasonable assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control decisions are made within the above framework. Management believes that the MEL's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investment Management

The MEL's investments are made in accordance with the Local Fiscal Affairs Law and the MEL's Cash and Investment Management Plan. Investments for the year were limited to US Treasury Securities, agency issues, deposits in banks covered by the Governmental Unit Depository Protection Act, and deposits in the New Jersey Cash Management Plan, which is administered by the State of New Jersey's Division of Investments. In planning and executing investments, the MEL emphasizes liquidity and safety. After these objectives are met, the MEL seeks to optimize investment income. The MEL protects itself from realization of capital losses by maintaining the ability to hold all investments to maturity. Investments with maturities of longer than six months are made by a professional asset manager from the trust department of Wilmington Trust, which is overseen by the Fund Treasurer and the Investment Committee. Short term investments are usually limited to bank deposits and the New Jersey Cash Management Fund, and are undertaken by the Fund Treasurer. Agency issues with a maturity longer than 12 months are purchased in cooperation with the New Jersey Division of Investments.

As of December 31, 2018, the MEL's portfolio consisted of the following:

	Amount	Percentage of Total
Checking Accounts/Money Market	\$ 5,812,326	9.26%
New Jersey Cash Management	5,953,253	9.49%
Investments	50,990,762	81.25%
	\$ 62,756,341	100.00%

Nisivoccia LLP, independent accountants, provide an independent, objective review of the fairness of the MEL's reported financial position and results of operations. Their audit includes procedures they deem necessary to express an opinion as to the fairness of the financial statements. Their opinion is included in the financial section of this report.

Acknowledgments

Our sincere appreciation is expressed to the members of the MEL Audit Committee for the leadership they provided in the expansion and improvement of the MEL's financial reporting format.

Our appreciation is also extended to each MEL commissioner, and particularly to Executive and Advisory Committee members, for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

David N. Grubb

David N. Grubb, Executive Director

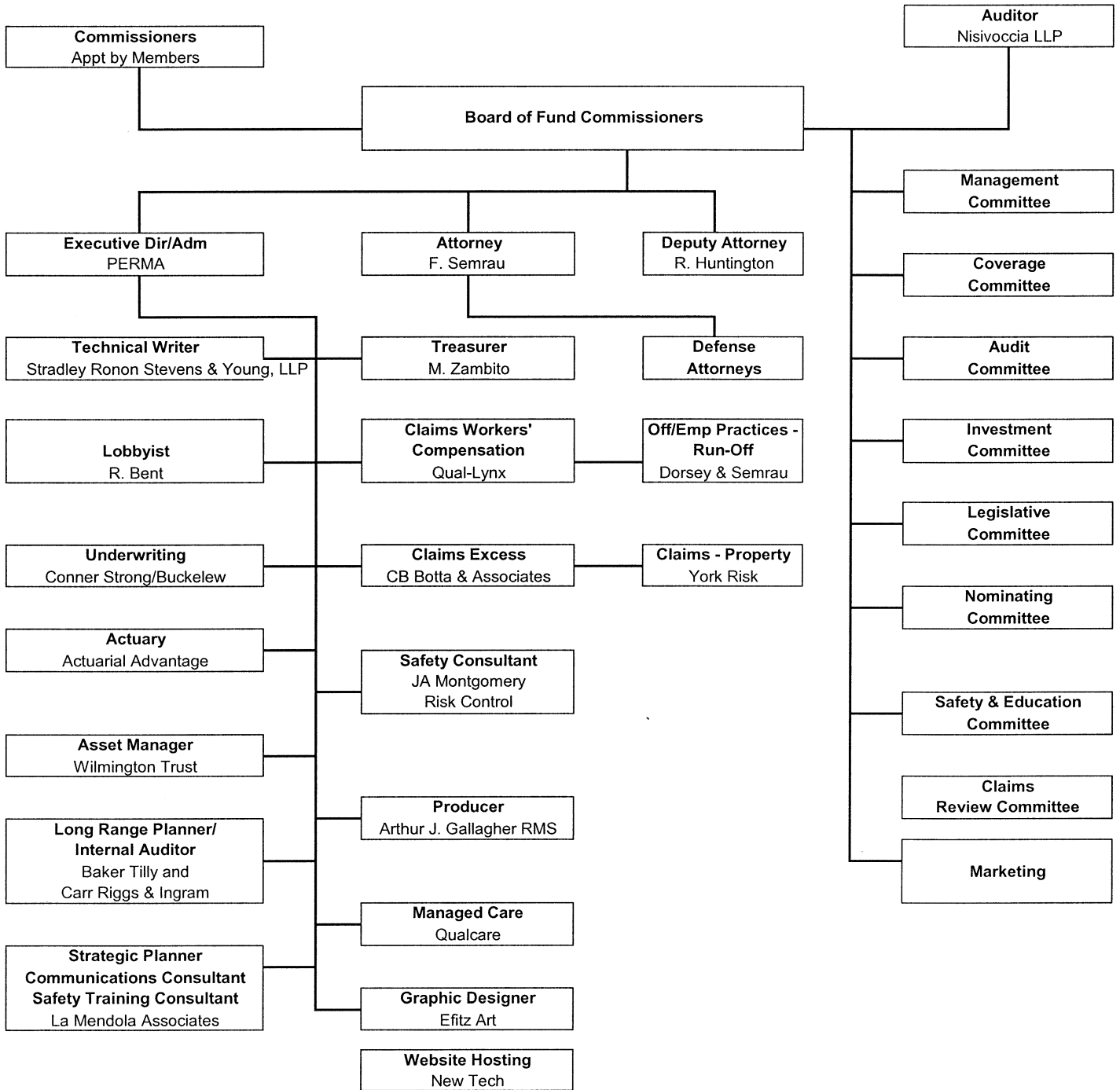
MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2018

Richard Hirsch	Fund Chairman
Mauro Tucci	Fund Secretary
Jon Rheinhardt	Fund Commissioner
Thomas Nolan	Fund Commissioner
Joseph Wolk	Fund Commissioner
Meghan Jack	Fund Commissioner
James Gildea	Fund Commissioner
Veronica Laureigh	Fund Commissioner
Tom Merchel	Fund Commissioner
Paul Tomasko	Fund Commissioner
Charles Cuccia	Fund Commissioner
Bernard Rutkowski	Fund Commissioner
Joy Tozzi	Fund Commissioner
Joseph D'Arco	Fund Commissioner
Robert Law	Fund Commissioner
John Clarke	Fund Commissioner
Cynthia Ege	Fund Commissioner
Mark Antozzeski	Fund Commissioner
William Northgrave	Fund Commissioner
Perma Risk Management Services	Administrator
David N. Grubb	Executive Director
Joseph P. Hrubash	Deputy Executive Director
Michael Zambito	Treasurer
Dorsey & Semrau, Esqs.	Attorney
Russell Huntington, Esq.	Deputy Attorney
Nisivoccia LLP	Auditor
Actuarial Advantage	Actuary
CB Botta & Associates	Claims Administrators - Excess Liability
Dorsey & Semrau	Claims Administrators - Public Official/EPL
York Risk	Claims Administrators – Excess Property
Qual-Lynx	Claims Administrators - Worker's Compensation
Qualcare	Managed Care Provider
Conner Strong & Buckelew	Underwriting Manager
Arthur J Gallagher Risk Management Svcs, Inc.	Producer
Baker Tilly	Internal Auditor – Insurance Component
Carr Riggs & Ingram	Internal Auditor – Financial Component
Wilmington Trust	Asset Manager

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2018

Pathways Governmental Relations LLC	Lobbyist
Kathleen Wilkinson, Esq.	Technical Writer
JA Montgomery Risk Control	Safety Consultant and MSI Training
La Mendola Associates	Independent Strategic Planner & Communication Consultant, and Safety Trainer Consultant
EFitz Art	Graphic Designer
New Tech	Website – Monthly Hosting

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND 2018 ORGANIZATIONAL CHART



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
MEMBERSHIP LISTING
AS OF DECEMBER 31, 2018

Atlantic County Municipal Joint Insurance Fund (41 Municipalities)

Bergen County Municipal Joint Insurance Fund (38 Municipalities)

Burlington County Municipal Joint Insurance Fund (27 Municipalities)

Camden County Municipal Joint Insurance Fund (34 Members)

Central Jersey Joint Insurance Fund (8 Municipalities)

Gloucester/Salem/Cumberland Counties Municipalities Joint Insurance Fund (37 Municipalities)

Mid Jersey Municipal Joint Insurance Fund (14 Municipalities)

Monmouth Municipal Joint Insurance Fund (39 Municipalities)

Morris County Municipal Joint Insurance Fund (41 Municipalities)

New Jersey First Responders Joint Insurance Fund (38 Districts)

New Jersey Public Housing Authorities Joint Insurance Fund (89 Authorities)

New Jersey Self Insurers' Joint Insurance Fund (4 Municipalities and 1 Regional Fire and Rescue Squad)

New Jersey Utility Authorities Joint Insurance Fund (71 Authorities)

Ocean County Municipal Joint Insurance Fund (31 Municipalities)

Professional Municipal Management Joint Insurance Fund (4 Municipalities)

Public Alliance Insurance Coverage Fund (21 Municipalities and 1 County)

South Bergen Municipal Joint Insurance Fund (23 Municipalities)

Suburban Essex Municipal Joint Insurance Fund (10 Member Entities)

Suburban Municipal Joint Insurance Fund (10 Municipalities)

FINANCIAL SECTION



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Independent Auditors' Report

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Municipal Excess Liability Joint Insurance Fund
Parsippany, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Municipal Excess Liability Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Municipal Excess Liability Joint Insurance Fund
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the accompanying Comparative Reconciliation of Claims Liabilities by Fund and Ten-Year Claims Development Information Schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The introductory section, supplementary data, combining supplementary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supplementary data, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Municipal Excess Liability Joint Insurance Fund
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2019 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
April 19, 2019

Nirvona LLP

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
Management Discussion and Analysis
(Unaudited)

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2018 and 2017. Please read it in conjunction with the basic financial statements, the notes, and supplementary schedules that follow this section.

Overview of Basic Financial Statements

The Fund's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Fund is to provide excess property and casualty insurance for joint insurance funds that are members of the Fund. The Fund maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Statement of Net Position – This statement presents information reflecting the Fund's assets, liabilities, deferred outflows and inflows of resources, and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources.

Statement of Revenue, Expenses, and Changes in Net Position – This statement reflects the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position for an enterprise fund is similar to net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Financial Highlights

The following tables summarize the financial position and results of operations for the Fund as of and for the years ended December 31, 2018, 2017 and 2016.

<u>SUMMARY OF STATEMENT OF NET POSITION</u>	2018	2017	17-18 Percent Change	2016	16-17 Percent Change
ASSETS:					
Cash, Cash Equivalents, Investments	\$ 62,756,341	\$ 59,153,433	6.09%	\$ 61,943,331	-4.72%
Assessments Receivable	5,962,031	5,337,555	11.70%	3,086,887	42.17%
Investment in Joint Venture	4,900,755	5,725,198	-14.40%	5,631,080	1.64%
Other Assets	2,892,813	4,749,006	-39.09%	2,630,389	44.61%
Total	<u>76,511,940</u>	<u>74,965,192</u>	2.06%	<u>73,291,687</u>	2.23%
LIABILITIES:					
Loss Reserves	40,777,680	43,902,885	-7.12%	43,124,127	1.77%
Other Liabilities	7,972,754	273,612	2813.89%	168,949	38.25%
Total	<u>48,750,434</u>	<u>44,176,497</u>	10.35%	<u>43,293,076</u>	2.00%
NET POSITION	<u>\$ 27,761,506</u>	<u>\$ 30,788,695</u>	-9.83%	<u>\$ 29,998,611</u>	2.57%

SUMMARY OF STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	2018	2017	17-18 Percent Change	2016	16-17 Percent Change
Operating Revenue:					
Assessments and Other Income	<u>\$44,109,647</u>	<u>\$44,367,354</u>	-0.58%	<u>\$43,450,989</u>	2.11%
Operating Expenses:					
Provision for Claims & Claims Expense	11,543,780	5,653,871	104.17%	(97,461)	-5901.16%
Assessment for Participation in RCF	7,811,361	12,458,867	-37.30%	12,247,851	1.72%
Insurance Premiums	20,926,903	19,930,759	5.00%	19,987,434	-0.28%
Administrative and Operating Expenses	<u>6,958,330</u>	<u>5,998,991</u>	15.99%	<u>5,819,273</u>	3.09%
Total Operating Expenses	<u>47,240,374</u>	<u>44,042,488</u>	7.26%	<u>37,957,097</u>	16.03%
Operating Income/(Loss)	(3,130,727)	324,866	-1063.70%	5,493,892	-94.09%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	(824,443)	94,118	-975.97%	4,794,438	-98.04%
Investment Income	<u>927,981</u>	<u>371,100</u>	150.06%	<u>597,183</u>	-37.86%
Increase/(Decrease) in Net Position	<u>\$ (3,027,189)</u>	<u>\$ 790,084</u>	-483.15%	<u>\$ 10,885,513</u>	-92.74%

The Fund's asset base increased by 2.06% during the reporting period and cash and investments increased by 6.09%, primarily due to a 39.09% decrease in Other Assets. The "Investment in Joint Venture" represents the Fund's share of net position in the Municipal Excess Liability Residual Claims Fund (RCF). The value of this asset decreased by 14.40% reflecting a decrease in equity retained by that entity.

The Fund's liabilities increased by 10.35% due to a \$7,699,142 increase in Other Liabilities which is primarily due to the RCF for the current year's claims transfer of Fund Year 2014.

For 2018 assessments decreased .58%. The provision for claims and claims expense increased by 104.17%. Insurance premiums increased by 5.00%, while administrative and operating expenses increased by 15.99%. Investment income increased by 150.06%. For 2018, the Fund continued the policy started in 2004 of not issuing dividends. The Fund emphasized capital accumulation over continuity of dividends for the members.

The Fund's combined net position for all years is \$27,761,506 in 2018 compared to \$30,788,695 at the end of 2017; a decrease of 9.83%. Net position values for both reporting periods include the cumulative effect of the discounting of loss reserves.

In October of 2012, many people in New Jersey were impacted by losses sustained from Hurricane Sandy. Although the total losses were large and the damage was extensive, the Fund did not have a significant negative impact on its operations resulting from Hurricane Sandy. Federal aid to constituent members through FEMA and reinsurance coverage covered the majority of losses sustained by members.

The future financial position of the Fund will be impacted by medical costs trends that impact upon workers compensation costs. To address this cost area, the Fund continues to reevaluate its managed care contracts and procedures and closely monitor claims as well as offer accredited safety programs to its members.

The Fund and its members were increasingly affected by the development of employment practice laws in 2010 and prior years. To address this problem, the Fund and its sub-committees pursued various options to control these costs and decided to transfer the coverage to the commercial market for 2011.

BASIC FINANCIAL STATEMENTS

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATEMENT OF NET POSITION

	December 31	
	2018	2017
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,765,579	\$ 7,631,421
Investments	50,990,762	51,522,012
Assessments Receivable	5,962,031	5,337,555
Notes Receivable	164,587	146,995
Accrued Interest Receivable	132,819	171,587
Insurance Receivables	476,624	2,768,253
Due from Municipal Excess Liability Residual Claims Fund		7,362
Prepaid Expenses		5,148
Investment in Joint Venture	4,900,755	5,725,198
Total Current Assets	74,393,157	73,315,531
Long-Term Assets:		
Notes Receivable	2,118,783	1,649,661
Total Long-Term Assets	2,118,783	1,649,661
Total Assets	76,511,940	74,965,192
<u>LIABILITIES:</u>		
Loss Reserves	40,777,680	43,902,885
Accounts Payable - Vendors	161,393	136,565
Other Liabilities		137,047
Due to Municipal Excess Liability Residual Claims Fund	7,811,361	
Total Liabilities	48,750,434	44,176,497
<u>NET POSITION:</u>		
Unrestricted	27,761,506	30,788,695
Total Net Position	\$ 27,761,506	\$ 30,788,695

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended December 31	
	2018	2017
Operating Revenue:		
Assessments from Participating Members	\$ 44,109,647	\$ 44,367,354
Total Operating Revenue	44,109,647	44,367,354
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$1,411,303 and <\$507,852> for 2018 and 2017, respectively)	11,543,780	5,653,871
Assessment for Participation in Municipal Excess Liability		
Residual Claims Fund	7,811,361	12,458,867
Insurance Premiums	20,926,903	19,930,759
Claims Administration	1,168,601	1,153,273
Other Contractual Services	2,288,795	1,772,050
Non-Contractual Expenses	279,776	240,292
Administration	1,317,570	1,147,468
EPL Credits	350,844	
Insurance Brokerage Expense	529,014	518,641
Managed Care	525,300	525,300
Reinsurance Manager	305,484	299,494
Risk Management Fees	192,946	342,473
Total Operating Expenses	47,240,374	44,042,488
Operating Income/(Loss)	(3,130,727)	324,866
Non-Operating Income/(Expenses):		
Change in Investment in Joint Venture	(824,443)	94,118
Investment Income/(Loss)	927,981	371,100
Change in Net Position	(3,027,189)	790,084
Net Position - Beginning of Year	30,788,695	29,998,611
Net Position - End of Year	\$ 27,761,506	\$ 30,788,695

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATEMENT OF CASH FLOWS

	<u>Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Assessments Collected	\$ 43,485,171	\$ 42,116,686
Refunds	3,934,471	3,516,758
Claims Expense	(18,603,456)	(8,391,871)
Professional and Administrative Expenses	(7,552,115)	(5,754,913)
Insurance Premiums	(18,635,274)	(22,279,187)
Municipal Excess Liability Residual Claims Fund	7,362	(12,317,789)
	<u>2,636,159</u>	<u>(3,110,316)</u>
Net Cash Provided/(Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(1,251,133)	(11,353,244)
Proceeds from Sales and Maturities of Investment Securities	1,743,135	4,114,804
Investment Income	1,005,997	557,407
	<u>1,497,999</u>	<u>(6,681,033)</u>
Net Cash Provided/(Used) by Investing Activities		
Net Increase/(Decrease) in Cash and Cash Equivalents	4,134,158	(9,791,349)
Cash and Cash Equivalents, January 1	<u>7,631,421</u>	<u>17,422,770</u>
Cash and Cash Equivalents, December 31	<u>\$ 11,765,579</u>	<u>\$ 7,631,421</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (3,130,727)	\$ 324,866
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Assessments Receivable	(624,476)	(2,250,668)
Insurance Receivables	2,291,629	(2,348,428)
Due from Municipal Excess Liability Residual Claims Fund	7,362	141,078
Prepaid Expense	5,148	(5,148)
Notes Receivable	(486,714)	144,563
Increase/(Decrease) in Liabilities:		
Loss Reserves	(3,125,205)	778,758
Accounts Payable	24,828	(32,384)
Other Liabilities	(137,047)	137,047
Due to Municipal Excess Liability Residual Claims Fund	7,811,361	
Net Cash Provided/(Used) by Operating Activities	<u>\$ 2,636,159</u>	<u>\$ (3,110,316)</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1: NATURE OF OPERATIONS

The Municipal Excess Liability Joint Insurance Fund (the "Fund") was created on December 16, 1986, in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes". The Fund is both an insured and self-administered group of joint insurance funds established for the purpose of providing low-cost insurance coverage for the members in order to keep local property taxes and fees at a minimum for the municipalities and authorities who form the membership of the joint insurance funds. The participating joint insurance funds must be able to prove satisfactorily to the Fund their compliance with funding and underlying coverage criteria as annually agreed and approved by the Fund. The Fund has 19 members. The following coverages are offered by the Fund to its members:

- a) Excess Workers' Compensation and Employers' Liability
- b) Excess Liability Other than Motor Vehicles
- c) Excess Motor Vehicle
- d) Excess Public Officials'/Employment Practices Liability
- e) Excess Property

Fund members are subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities. The Fund considers anticipated investment income when determining if a deficiency exists.

A participating member must remain in the Fund for the full term of membership unless terminated earlier by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws.

The Executive Director and Administrator are responsible for the overall administration of the Fund. Fees paid to the Executive Director and Administrator encompasses all administrative duties which are performed at their offices. Accordingly, the Fund does not maintain any capital assets or incur any payroll expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Fund's accounting policies are described on the next pages.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The combined financial statements include all funds of the Fund over which the Fund exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Fund utilizes total economic resources as the measurement focus. Operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the Fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Fund gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and the changes in joint ventures.

Investments

The Fund generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

The Fund is a tax-exempt organization and is not subject to either federal or state income taxes.

Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and premium projections, constitutes the Fund's budget. Assessments for participating joint insurance funds are determined by underwriting criteria established by the Board of Commissioners.

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund discounts claim liabilities for financial reporting purposes. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Reinsurance

The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Reinsurance premiums amounted to \$20,926,903 and \$19,930,759 for the years ended December 31, 2018 and 2017, respectively. The amount deducted from claims liabilities for reinsurance was \$1,432,992 and \$54,833 at December 31, 2018 and 2017, respectively.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 3: LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2018. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including the effects of inflation and other societal or economic factors. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess loss insurance and reinsurance coverages. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses.

Loss reserves, at December 31, 2018 and 2017, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2018</u>	<u>2017</u>
Case Reserves	\$ 10,762,395	\$ 13,898,986
Losses Incurred but not Reported	<u>30,015,285</u>	<u>30,003,899</u>
Total Loss Reserves	<u>\$ 40,777,680</u>	<u>\$ 43,902,885</u>

The following represents changes in the aggregate reserves for the Fund:

	<u>2018</u>	<u>2017</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 43,902,885</u>	<u>\$ 43,124,127</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	14,434,097	12,427,628
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(2,890,317)</u>	<u>(6,773,757)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>11,543,780</u>	<u>5,653,871</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	2,760,147	905,149
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>11,908,838</u>	<u>3,969,964</u>
Total Payments	<u>14,668,985</u>	<u>4,875,113</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 40,777,680</u>	<u>\$ 43,902,885</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 3: LOSS RESERVES (Cont'd)

The Fund has elected to discount its loss reserves. The Fund believes that the discounting of loss reserves presents a more accurate presentation of the current loss reserves to be paid in future periods.

At December 31, 2018, \$44,586,058 of unpaid claims and claim adjustment expenses are presented at their net present value of \$40,777,680. These claims are discounted at an annual rate of 1.79%.

At December 31, 2017, \$47,095,549 of unpaid claims and claim adjustment expenses are presented at their net present value of \$43,902,885. These claims are discounted at an annual rate of 1.79%.

The Fund maintains contracts for insurance including excess insurance covering losses in excess of an amount established between the Fund and the insurer up to the limits of coverage set forth in the contract on a specific occurrence, or per accident or annual aggregate basis. The Fund also maintains a contract for reinsurance for Liability other than motor vehicle covering losses in excess of an amount established between the Fund and the Reinsurer up to the limits of coverage set forth in the contract on a specific occurrence or aggregate basis.

A contingent liability exists with respect to insurance coverage which would become an actual liability in the event the insuring companies, or any of them, might be unable to meet their obligations to the Fund under existing reinsurance agreements.

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in deposits, money market accounts, short-term investments with original maturities of three months or less. In addition certain short term money market investments are reported at amortized costs and included in the financial statements as cash equivalents.

GASB requires disclosure of the level of custodial credit risk assumed by the Fund in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Fund ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Fund limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in Note 5.

Custodial Credit Risk – The Fund's policy with respect to custodial credit risk requires that the Fund ensures that Fund's cash and cash equivalents are only deposited in financial institutions in which New Jersey insurance funds are permitted to invest their cash and cash equivalents.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
 (Continued)

NOTE 4: CASH AND CASH EQUIVALENTS (Cont'd)

New Jersey statutes require public depositories to maintain collateral deposits or public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the federal reserve system and has capital funds of not less than \$25,000,000.

As of December 31, 2018 and 2017, cash and cash equivalents of the Fund consisted of the following:

	Dec. 31, 2018	Dec. 31, 2017
Checking Accounts	\$ 5,762,410	\$ 7,606,481
Money Market Account	49,916	16,228
Cash Management Funds	5,953,253	8,712
	\$ 11,765,579	\$ 7,631,421

The carrying amount of the Fund's cash and cash equivalents as of December 31, 2018 and 2017 were \$11,765,579 and \$7,631,421 respectively. The bank balances as of December 31, 2018 and 2017 were \$13,097,255 and \$7,851,740, respectively. The \$5,953,253 and \$8,712 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 5: INVESTMENTS

New Jersey statutes permit the Fund to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bears a fixed rate of interest not dependent on any index or other external factor;

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

- (4) Bonds or other obligations of local units or bonds or other obligations of school districts of which the local units are part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

All of the Fund's investments are recorded at fair value based on quoted market prices (Level 1 inputs). The investments are held by the Fund's custodial bank trust department in the Fund's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account, in the Fund's name, and are backed by the full faith and credit of the U.S. Government. As such, they are protected in the event of bankruptcy of the bank. Investments at December 31, 2018 and 2017 consisted of the following recurring fair value measurements as Level 1 inputs:

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

	Balance Dec. 31, 2018	Weighted Average Maturity in Months	Balance Dec. 31, 2017	Weighted Average Maturity in Months
United States Treasury Notes	<u>\$ 50,990,762</u>	37.66	<u>\$ 51,522,012</u>	53.81
	<u>\$ 50,990,762</u>	<u>37.66</u>	<u>\$ 51,522,012</u>	<u>53.81</u>

NOTE 6: NET POSITION

The State of New Jersey has no statutory minimum net position requirements.

The Fund had statutory basis accumulated deficit net position accounts as follows:

Fund Year 2015 - Liability	\$ 1,705,891
Fund Year 2016 - Property	1,246,567
Fund Year 2016 - Liability	4,891,241
Fund Year 2016 - Faithful Performance Bond	37,429
Fund Year 2018 - Property	636,158
Fund Year 2018 - Liability	44,996
Fund Year 2018 - Faithful Performance Bond	115,972

In addition, at December 31, 2018 the Fund had an overall deficit in Fund Year 2016 of \$1,684,992.

The Fund has no current plans to assess the membership to eliminate deficit balances.

NOTE 7: INSURANCE RECEIVABLES

Insurance receivables consist of funds due from an insurance company for claim reimbursements.

NOTE 8: MEMBERSHIP IN JOINT INSURANCE FUND

In 1995, the Fund became a member of the Municipal Excess Liability Residual Claims Fund (the "Residual Fund"). The Residual Fund is a risk-sharing public entity risk pool that is a self-administered group of joint insurance funds established for the purpose of assuming and discharging the liabilities associated with loss reserves of participating members. The transfer of these loss reserves to the Residual Fund results in the closing of those fund years and the unencumbering of the net position related to those closed fund years. Each member appoints an official to represent their respective joint insurance fund for the purpose of creating a governing body from which officers for the Residual Fund are elected.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
 (Continued)

NOTE 8: MEMBERSHIP IN JOINT INSURANCE FUND (Cont'd)

As a member of the Residual Fund, the Fund could be subject to supplemental assessments in the event of deficiencies. If the assets of the Residual Fund were to be exhausted, members would become jointly and severally liable for the Residual Fund's liabilities.

The Residual Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessments are related to the total assessment of the membership for that fund year.

During 2018, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2014 Fund Year. Loss reserves totaling \$7,811,361 at June 30, 2018, were assumed as of June 30, 2018 in exchange for the Fund's assessment for participation in the Residual Fund of \$7,811,361.

During 2017, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2013 Fund Year. Loss reserves totaling \$12,458,867 at June 30, 2017, were assumed as of June 30, 2017 in exchange for the Fund's assessment for participation in the Residual Fund of \$12,458,867.

The December 31, 2018 audit report of the Residual Fund is not filed as of the date of this audit. Selected, summarized, financial information for the Residual Fund as of December 31, 2017 is as follows:

Total Assets	\$ <u>95,395,374</u>
Net Position	\$ <u>11,958,385</u>
Total Revenue	\$ <u>26,929,424</u>
Total Expenses	\$ <u>26,318,949</u>
Change in Net Position	\$ <u>(9,525)</u>
Member Dividends	\$ <u>620,000</u>

The Fund's equity interest in the Residual Fund was \$4,900,755 and \$5,725,198 as of December 31, 2018 and 2017, respectively.

Financial statements for the Residual Fund are available at the office of the Residual Fund's Executive Director:

PERMA Risk Management Services
 9 Campus Drive, Suite 216
 Parsippany, New Jersey, 07054
 (201) 881-7632

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 9: CONTINGENCIES

In the normal course of its operations, the Fund has a number of lawsuits filed by claimants in various stages. Although estimated loss reserves have been established by the Fund, a number of these cases may possibly be settled for amounts in excess of the Fund's loss reserves. No provision for these contingencies has been included in the financial statements since the amounts are not reasonably estimable.

NOTE 10: NOTES RECEIVABLE

In 2012 the Fund entered into a Promissory Note with the Township of Fairfield. The total amount of the settlement was \$712,250. The Township of Fairfield agreed to pay the Fund in installments of \$71,250 over ten years.

On December 17, 2015 the Fund entered into an advanced loan agreement with the Borough of Bogota. Whereas the Fund contributed \$1,500,000 to the Borough of Bogota as part of an overall settlement. The Borough is on a payment plan to reimburse the Fund over the next 20 years in \$75,000 installments plus interest with the first installment payment being made on or before December 31, 2016.

On September 12, 2018 the Fund entered into a Promissory Note with the Township of Belleville. The total amount of the settlement was \$183,370. The Township of Belleville agreed to pay the Fund in installments of \$18,337, with the first instalment due January 1, 2019 and terminating on January 1, 2028.

The Fund entered into another Promissory Note with the Borough of Maywood. The total amount of the settlement was \$540,000. The Borough of Maywood agreed to pay the Fund in installments of \$108,000 annually, with the first installment due January 1, 2020 and terminating on January 1, 2024.

NOTE 11: RELATIONSHIP WITH STATE SCHEDULES

The information in the Fund's financial statements differs from the State Schedules listed in the supplementary data section as Schedules A through F. Specifically, the Schedules present historical information from the inception of each fund year. In addition, the financial statements reflect the Fund's equity interest in a joint venture and the discounting of loss reserves at the financial statement date. The Supplementary Schedules do not reflect the equity interest in a joint venture and the discounting of loss reserves.

NOTE 12: AGGREGATE EXCESS LOSS FUND CONTINGENCY

The Municipal Excess Liability Joint Insurance Fund (the "MEL") has adopted a retrospective rating premium approach to implement experience rated assessments for liability and workers' compensation coverages. The MEL billed 85% of the experience rated assessment in the first year and, should a member joint insurance fund exceed that amount, an additional assessment would be calculated based on each member joint insurance fund's retrospective rating modification. The retrospective rating modification is an experience rated factor and any

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Continued)

NOTE 12: AGGREGATE EXCESS LOSS FUND CONTINGENCY (Cont'd)

additional assessments would be capped at 100%, 115% or 125% of that factor. If a member joint insurance fund's liability and workers' compensation loss funds stay within the 85% threshold, there would not be an additional assessment. In 2018, the Fund budgeted and assessed each member 100% of the MEL's layer of projected loss funds. The Fund will expense the liability and workers' compensation excess coverage premium for the actual amount billed by the MEL and record revenue at the full amount budgeted and billed its members. The difference between the assessment billed to the Fund's members and the MEL's premium will be transferred to an Aggregate Excess Loss Fund Contingency within the Fund in January and will earn interest in the same manner as all other fund years. The net position within the Aggregate Excess Loss Fund of the Fund will be maintained by member in the same manner that the Closed Fund Years' net position is maintained. As future fund years continue to adopt this program the same process will be followed and the member shares will be maintained on a weighted average of their contributions to the Aggregate Excess Loss Fund Contingency. If the MEL bills the Fund for an additional assessment, and the member does not have enough net position in its portion of the Aggregate Excess Loss Fund Contingency, the Fund could bill the member an additional assessment.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
 COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
 (Unaudited)

	Property		Liability		Faithful Performance Bond		Worker's Compensation		Public Officials/ Employment Practices		Totals	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Unpaid claims and claim adjustment expenses at beginning of year	\$ 727,490	\$ (226,458)	\$ 22,144,908	\$ 20,253,178	\$ 17,474	\$ 59,986	\$ 16,835,372	\$ 16,835,372	\$ 6,202,049	\$ 6,202,049	\$ 43,902,885	\$ 43,124,127
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current period	3,947,641	2,041,901	5,626,422	6,021,950	325,168	18,597	4,534,866	4,345,180			14,434,097	12,427,628
Increases/(decreases) in provision for insured events of prior years	(1,070,800)	134,727	1,682,679	(1,548,085)	171,920	(25,250)	(3,674,116)	(5,335,149)			(2,890,317)	(6,773,757)
Total incurred claims and claim adjustment expenses	2,876,841	2,176,628	7,309,101	4,473,865	497,088	(6,653)	860,750	(989,969)			11,543,780	5,653,871
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current period	2,760,126	829,083		76,056				21	10		2,760,147	905,149
Claims and claim adjustment expenses attributable to insured events of the current period	1,197,761	393,597	9,053,441	2,506,079	184,555	35,859	1,473,081	1,034,429			11,908,838	3,969,964
Total payments	3,957,887	1,222,680	9,053,441	2,582,135	184,555	35,859	1,473,102	1,034,439			14,668,985	4,875,113
Unpaid claims and claim adjustment expenses at end of year	\$ (353,556)	\$ 727,490	\$ 20,400,568	\$ 22,144,908	\$ 330,007	\$ 17,474	\$ 16,223,020	\$ 16,835,372	\$ 6,202,049	\$ 6,202,049	\$ 40,777,680	\$ 43,902,885

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
(Unaudited)

	Fiscal Period Ended December 31, 2018 and Policy Period Ended December 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Required contribution and investment revenue:										
Eamed	\$ 56,831,012	\$ 57,870,179	\$ 44,036,278	\$ 43,550,580	\$ 43,558,176	\$ 44,892,042	\$ 45,952,529	\$ 43,647,716	\$ 44,741,598	\$ 44,221,587
Ceded	16,565,698	16,409,301	15,926,686	16,054,304	16,628,567	18,916,951	19,785,005	19,994,332	19,948,591	20,917,638
	40,265,314	41,460,878	28,109,592	27,496,276	26,929,609	25,975,091	26,167,524	23,653,384	24,793,007	23,303,949
Unallocated expenses	5,419,816	5,449,446	5,021,589	5,759,865	6,305,978	5,463,777	5,688,731	5,759,865	6,305,978	6,652,729
Estimated claims and expenses, end of policy year:										
Incurred	26,586,532	26,597,577	20,481,518	27,880,350	14,995,169	16,964,638	18,870,160	14,769,676	12,465,172	15,617,833
Ceded	5,054	59,968	2,652,457	10,953,464			1,517,755	274,112	37,544	1,183,686
Net Incurred	26,581,478	26,537,609	17,829,061	16,926,886	14,995,169	16,964,638	17,352,405	14,495,564	12,427,628	14,434,097
Paid (cumulative) as of:										
End of policy year	1,803,382	3,185,765	1,499,370	1,496,244	1,218,330	1,837,362	2,985,974	3,243,964	905,149	2,760,147
One year later	5,772,692	6,774,613	2,730,660	3,494,160	2,004,303	3,193,210	4,915,572	5,700,905	3,145,885	
Two years later	10,446,895	13,761,525	3,509,534	3,661,571	3,011,985	3,270,026	5,359,519	7,106,871		
Three years later	18,245,500	18,940,810	6,173,844	6,903,479	4,977,992	4,150,705	9,995,188			
Four years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389	7,777,172				
Five years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389					
Six years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389					
Seven years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389					
Eight years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389					
Nine years later	20,918,474	22,342,545	7,396,289	9,156,994	5,166,389					
Reestimated ceded claims and expenses	20,601,016	27,096,053	28,181,181	28,380,548	28,380,548	28,380,548	9,660	158,351	189,646	1,183,686
Reestimated incurred claims and expense:										
End of policy year	26,581,478	26,537,609	17,829,061	16,926,886	14,995,169	16,964,638	17,352,405	14,495,564	12,427,628	14,434,097
One year later	28,731,045	25,131,425	15,622,139	15,662,386	15,616,435	16,322,145	16,500,405	17,375,790	12,902,178	
Two years later	29,687,807	28,183,952	16,176,988	15,870,592	16,626,074	14,058,530	16,535,077	18,680,599		
Three years later	32,605,145	32,262,330	18,892,599	18,485,509	14,477,179	13,680,665	17,768,894			
Four years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389	7,777,172				
Five years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389					
Six years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389					
Seven years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389					
Eight years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389					
Nine years later	20,918,474	22,342,546	7,396,289	9,156,994	5,166,389					
Increase/(decrease) in estimated incurred claims and expense from end of policy year	\$ (5,663,004)	\$ (4,195,063)	\$ (10,432,772)	\$ (7,769,892)	\$ (9,828,780)	\$ (9,187,466)	\$ 416,489	\$ 4,185,035	\$ 474,550	\$ -0-

COMBINING SUPPLEMENTARY SCHEDULES

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2018

	Fund Year					Total
	2015	2016	2017	2018		
<u>ASSETS</u>						
MEL						
Aggregate Excess Loss Fund						
Contingency						
\$	3,283,557	\$ 1,903,994	\$ 2,858,420	\$ 1,725,011	\$ 11,765,579	
Cash and Cash Equivalents	14,305,206	8,689,697	12,453,047	7,247,832	50,990,762	
Investments				5,962,031	5,962,031	
Assessments Receivable	164,587				164,587	
Notes Receivable	38,249	23,294	29,678	17,592	132,819	
Accrued Interest Receivable	136,940	79,059			476,624	
Insurance Receivables	4,900,755				4,900,755	
Investment in Joint Venture						
Total Current Assets	22,829,294	10,483,605	15,341,145	14,952,466	74,393,157	
Long Term Assets:						
Notes Receivable	2,118,783				2,118,783	
Total Long-Term Assets	2,118,783				2,118,783	
Total Assets	24,948,077	10,483,605	15,341,145	14,952,466	76,511,940	
<u>LIABILITIES</u>						
Loss Reserves						
Accounts Payable		11,573,726	9,756,299	11,673,950	40,777,680	
Due to Municipal Excess Liability Residual Claims Fund	7,773,705	7,773,705		161,393	161,393	
Total Liabilities	7,811,361	7,773,705	9,756,299	11,835,343	7,811,361	
<u>NET POSITION</u>						
Unrestricted/(Deficit)	17,136,716	2,709,900	(787,079)	3,117,123	27,761,506	
Total Net Position/(Deficit)	\$ 17,136,716	\$ 2,709,900	\$ 5,584,846	\$ 3,117,123	\$ 27,761,506	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	Fund Year					Total
	2015	2016	2017	2018	2018	
MEL						
Aggregate Excess Loss Fund Contingency						
\$	1,773	\$ 1,652	\$ 1,646	\$ 1,591	\$ 44,102,985	\$ 44,109,647
	1,773	1,652	1,646	1,591	44,102,985	44,109,647
Operating Revenue:						
Assessments from Participating Members						
Total Operating Revenue	(5,903,493)	1,233,813	1,304,807	474,556	14,434,097	11,543,780
Operating Expenses:						
Provision for Claims and Claim Adjustment Expense						
Assessment for Participation in Municipal Excess Liability						
Residual Claims Fund	7,811,361					7,811,361
Insurance Premiums				9,265	20,917,638	20,926,903
Claims Administration					1,168,601	1,168,601
Other Contractual Services				299,102	1,989,693	2,288,795
Non-Contractual Expenses				12,500	267,276	279,776
Administration				7,473	1,310,097	1,317,570
EPL Credits					350,844	350,844
Insurance Brokerage Expense					529,014	529,014
Managed Care					525,300	525,300
Reinsurance Manager					305,484	305,484
Risk Management Fees				(13,474)	206,420	192,946
Total Operating Expenses	1,907,868	1,233,813	1,304,807	789,422	42,004,464	47,240,374
Operating Income/(Loss)	(1,906,095)	(1,232,161)	(1,303,161)	(787,831)	2,098,521	(3,130,727)
Non-Operating Income/(Expenses):						
Change in Investment in Joint Venture	(824,443)					(824,443)
Investment Income/(Loss)	275,660	161,123	159,918	212,678	118,602	927,981
Income/(Loss) before Transfers	(2,454,878)	(1,071,038)	(1,143,243)	(575,153)	2,217,123	(3,027,189)
Transfer	(900,000)				900,000	
Change in Net Position	(3,354,878)	(1,071,038)	(1,143,243)	(575,153)	3,117,123	(3,027,189)
Net Position - Beginning of Year	20,491,594	3,780,938	356,164	6,159,999		30,788,695
Net Position/(Deficit) - End of Year	\$ 17,136,716	\$ 2,709,900	\$ (787,079)	\$ 5,584,846	\$ 3,117,123	\$ 27,761,506

SUPPLEMENTARY DATA

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
HISTORICAL OPERATING RESULTS ANALYSIS

ALL FUND YEARS
DECEMBER 31, 2018

(Unaudited)

1.	<u>Underwriting Income:</u>		
	Regular Contributions (earned)	\$1,001,132,354	
	Supplemental Contributions	862,606	
	Other Income (except investments)	187,207	
	Total Income		\$ 1,002,182,167
2.	<u>Incurred Liabilities:</u>		
	<u>Claims:</u>		
	Paid	302,918,960	
	Case Reserves	16,003,765	
	IBNR Reserve	30,015,285	
	Subtotal		\$ 348,938,010
	Less Excess Insurance:		
	Received	28,318,815	
	Receivable	170,084	
	Recoverable	1,432,992	
	Subtotal		29,921,891
	Limited Incurred Claims (claims-excess)		319,016,119
	<u>Expenses:</u>		
	Excess Insurance Premiums	561,789,227	
	Administrative	111,978,790	
	Worker's Compensation	4,864,403	
	Property Grant	270,408	
	EPL Credits	674,113	
	Subtotal Expenses		679,576,941
	<u>Total Incurred Liabilities</u>		
	(limited claims and expenses)		998,593,060
3.	<u>Underwriting Surplus/(Deficit) = 1-2</u>		3,589,107
4.	<u>Investment Income (Earned)</u>		59,728,852
4a	<u>Transfer</u>		_____
5.	<u>Gross Operating Surplus/(Deficit) = 3+4</u>		63,317,959
6.	<u>Return of Surplus:</u>		
	Paid	44,265,586	
	Authorized and Unpaid		
	Subtotal Return of Surplus		44,265,586
7.	<u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 19,052,373

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
HISTORICAL BALANCE SHEET
ALL FUND YEARS
DECEMBER 31, 2018
(Unaudited)

1. Assets:

Cash and Investments (1)	\$ 62,756,341		\$ 62,756,341
<u>Receivables (1):</u>			
Excess Insurance	476,624		
Assessments	5,962,031		
Other	2,416,189		
Total Receivables			8,854,844
Prepaid Expenses (1)			
Other Assets (1)			
<u>Total Assets</u>			<u>\$ 71,611,185</u>

2. Liabilities:

<u>Claims:</u>			
Case Reserves	14,570,773		
IBNR Reserve (2)	30,015,285		
Subtotal Claims			44,586,058
<u>Expenses (unpaid) (1):</u>			
Excess Insurance	7,811,361		
Administrative	161,393		
Subtotal Expenses			7,972,754
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)			
Subtotal			
<u>Total Liabilities</u>			<u>52,558,812</u>

NET CURRENT SURPLUS/(DEFICIT) = 1-2

\$ 19,052,373

Notes: (1) attach schedule itemizing these categories

(2) attach an opinion from the actuary

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - MEL AGGREGATE EXCESS LOSS FUND CONTINGENCY
DECEMBER 31, 2018
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 823,552,754	
Supplemental Contributions	862,606	
Other Income (except investments)	187,207	
Total Income		\$ 824,602,567
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	279,802,518	
Case Reserves		
IBNR Reserve		
Subtotal		\$ 279,802,518
Less Excess Insurance:		
Received	28,243,608	
Receivable	136,940	
Recoverable		
Subtotal		28,380,548
Limited Incurred Claims (claims-excess)		251,421,970
<u>Expenses:</u>		
Excess Insurance Premiums	481,143,661	
Administrative	90,311,200	
Workers Compensation	2,798,803	
Property Grant	270,408	
Subtotal Expenses		574,524,072
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		825,946,042
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		(1,343,475)
4. <u>Investment Income (Earned)</u>		58,745,022
4a. <u>Transfer</u>		(900,000)
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		56,501,547
6. <u>Return of Surplus:</u>		
Paid	44,265,586	
Authorized and Unpaid		
Subtotal Return of Surplus		44,265,586
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 12,235,961

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2018
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 45,565,058		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 45,565,058
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	9,995,188		
Case Reserves	4,192,314		
IBNR Reserve	4,243,096		
Subtotal		\$ 18,430,598	
Less Excess Insurance:			
Received			
Receivable			
Recoverable	9,660		
Subtotal		9,660	
Limited Incurred Claims (claims-excess)		18,420,938	
<u>Expenses:</u>			
Excess Insurance Premiums	19,785,005		
Administrative	5,188,731		
Worker's Compensation	500,000		
Property Grant			
Subtotal Expenses		25,473,736	
<u>Total Incurred Liabilities</u>			<u>43,894,674</u>
(limited claims and expenses)			
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,670,384
4. <u>Investment Income (Earned)</u>			<u>387,471</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			2,057,855
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 2,057,855</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2018
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,405,565	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,405,565
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	7,215,222	
Case Reserves	6,280,552	
IBNR Reserve	6,241,088	
Subtotal		\$ 19,736,862
Less Excess Insurance:		
Received	75,207	
Receivable	33,144	
Recoverable	50,000	
Subtotal		158,351
Limited Incurred Claims (claims-excess)		19,578,511
<u>Expenses:</u>		
Excess Insurance Premiums	19,994,332	
Administrative	5,244,865	
Workers Compensation	515,000	
Property Grant		
Subtotal Expenses		25,754,197
<u>Total Incurred Liabilities</u> (limited claims and expenses)		45,332,708
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		(1,927,143)
4. <u>Investment Income (Earned)</u>		242,151
4a. <u>Transfer</u>		
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		(1,684,992)
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ (1,684,992)

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2017

DECEMBER 31, 2018

(Unaudited)

1.	<u>Underwriting Income:</u>		
	Regular Contributions (earned)	\$ 44,505,992	
	Supplemental Contributions		
	Other Income (except investments)		
	Total Income		\$ 44,505,992
2.	<u>Incurred Liabilities:</u>		
	<u>Claims:</u>		
	Paid	3,145,885	
	Case Reserves	2,702,881	
	IBNR Reserve	8,281,792	
	Subtotal		\$ 14,130,558
	Less Excess Insurance:		
	Received		
	Receivable		
	Recoverable	189,646	
	Subtotal		189,646
	Limited Incurred Claims (claims-excess)		13,940,912
	<u>Expenses:</u>		
	Excess Insurance Premiums	19,948,591	
	Administrative	5,457,409	
	Worker's Compensation	525,300	
	EPL Credits	323,269	
	Subtotal Expenses		26,254,569
	<u>Total Incurred Liabilities</u>		
	(limited claims and expenses)		40,195,481
3.	<u>Underwriting Surplus/(Deficit) = 1-2</u>		4,310,511
4.	<u>Investment Income (Earned)</u>		235,606
5.	<u>Gross Operating Surplus/(Deficit) = 3+4</u>		4,546,117
6.	<u>Return of Surplus:</u>		
	Paid		
	Authorized and Unpaid		
	Subtotal Return of Surplus		
7.	<u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 4,546,117

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2018
DECEMBER 31, 2018

(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 44,102,985		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 44,102,985
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	2,760,147		
Case Reserves	2,828,018		
IBNR Reserve	11,249,309		
Subtotal		\$ 16,837,474	
Less Excess Insurance:			
Received			
Receivable			
Recoverable	1,183,686		
Subtotal		1,183,686	
Limited Incurred Claims (claims-excess)			15,653,788
<u>Expenses:</u>			
Excess Insurance Premiums	20,917,638		
Administrative	5,776,585		
Workers' Compensation	525,300		
EPL Credits	350,844		
Subtotal Expenses		27,570,367	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			43,224,155
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			878,830
4. <u>Investment Income (Earned)</u>			118,602
4a <u>Transfers</u>			900,000
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,897,432
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 1,897,432

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2018
 (Unaudited)

	Coverages and Other Accounts								Total
	Property	Liability	Worker's Compensation	Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Loss Fund Contingency	General and Administrative		
1. <u>Underwriting Income</u>									
Regular Contributions (earned)	\$ 11,375,316	\$ 14,073,953	\$ 13,195,041	\$ 897,325	\$ 209,077	\$ 481,306	\$ 5,333,040	\$ 45,565,058	
Supplemental Contributions									
Other Income (except investments)									
Total Income	<u>11,375,316</u>	<u>14,073,953</u>	<u>13,195,041</u>	<u>897,325</u>	<u>209,077</u>	<u>481,306</u>	<u>5,333,040</u>	<u>45,565,058</u>	
2. <u>Incurred Liabilities</u>									
Claims (limited incurred)	2,446,654	8,611,160	7,363,124					18,420,938	
Expenses	8,821,575	7,266,964	3,308,631	887,835			5,188,731	25,473,736	
Total Liabilities	<u>11,268,229</u>	<u>15,878,124</u>	<u>10,671,755</u>	<u>887,835</u>			<u>5,188,731</u>	<u>43,894,674</u>	
3. <u>Underwriting Surplus/(Deficit)</u>	<u>107,087</u>	<u>(1,804,171)</u>	<u>2,523,286</u>	<u>9,490</u>	<u>209,077</u>	<u>481,306</u>	<u>144,309</u>	<u>1,670,384</u>	
4. <u>Adjustments</u>									
Investment Income	37,191	98,280	145,167	2,828	54,908	9,096	40,001	387,471	
Transfers			(750)				750		
Total Adjustments	<u>37,191</u>	<u>98,280</u>	<u>144,417</u>	<u>2,828</u>	<u>54,908</u>	<u>9,096</u>	<u>40,751</u>	<u>387,471</u>	
5. Gross Operating Surplus	<u>144,278</u>	<u>(1,705,891)</u>	<u>2,667,703</u>	<u>12,318</u>	<u>263,985</u>	<u>490,402</u>	<u>185,060</u>	<u>2,057,855</u>	
6. Return of Surplus									
7. Net Current Surplus	<u>\$ 144,278</u>	<u>\$ (1,705,891)</u>	<u>\$ 2,667,703</u>	<u>\$ 12,318</u>	<u>\$ 263,985</u>	<u>\$ 490,402</u>	<u>\$ 185,060</u>	<u>\$ 2,057,855</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2018
 (Unaudited)

	Coverages and Other Accounts							Total
	Property	Liability	Worker's Compensation	Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Contingency	General and Administrative	
1. <u>Underwriting Income</u>								
Regular Contributions (earned)	\$ 11,660,761	\$ 13,323,962	\$ 11,498,206	\$ 905,879	\$ 207,239	\$ 473,494	\$ 5,336,024	\$ 43,405,565
Supplemental Contributions								
Other Income (except investments)								
Total Income	11,660,761	13,323,962	11,498,206	905,879	207,239	473,494	5,336,024	43,405,565
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,792,953	10,992,714	4,545,554		247,290			19,578,511
Expenses	9,115,000	7,301,423	3,195,792	897,117			5,244,865	25,754,197
Total Liabilities	12,907,953	18,294,137	7,741,346	897,117	247,290		5,244,865	45,332,708
3. <u>Underwriting Surplus/(Deficit)</u>	(1,247,192)	(4,970,175)	3,756,860	8,762	(40,051)	473,494	91,159	(1,927,143)
4. <u>Adjustments</u>								
Investment Income Transfers	625	78,933	147,750	137	2,622	8,283	3,801	242,151
Total Adjustments	625	78,933	147,750	137	2,622	8,283	3,801	242,151
5. <u>Gross Operating Surplus</u>	(1,246,567)	(4,891,242)	3,904,610	8,899	(37,429)	481,777	94,960	(1,684,992)
6. <u>Return of Surplus</u>								
7. <u>Net Current Surplus</u>	\$ (1,246,567)	\$ (4,891,242)	\$ 3,904,610	\$ 8,899	\$ (37,429)	\$ 481,777	\$ 94,960	\$ (1,684,992)

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

FUND YEAR - 2017

DECEMBER 31, 2018

(Unaudited)

Coverages and Other Accounts

	Optional Excess						Total
	Property	Liability	Worker's Compensation	Public Officials/ Employment Practices	Faithful Performance Bond	Contingency	
1. <u>Underwriting Income</u>							
Regular Contributions (earned)	\$ 12,608,294	\$ 13,618,265	\$ 11,072,858	\$ 922,613	\$ 209,900	\$ 477,934	\$ 44,505,992
Supplemental Contributions							
Other Income (except investments)							
Total Income	12,608,294	13,618,265	11,072,858	922,613	209,900	477,934	44,505,992
2. <u>Incurred Liabilities</u>							
Claims (limited incurred)	2,177,040	4,701,989	7,056,783		5,100		13,940,912
Expenses	9,454,521	7,339,023	3,129,628	873,988			26,254,569
Total Liabilities	11,631,561	12,041,012	10,186,411	873,988	5,100		40,195,481
3. <u>Underwriting Surplus/(Deficit)</u>	976,733	1,577,253	886,447	48,625	204,800	477,934	4,310,511
4. <u>Adjustments</u>							
Investment Income	28,984	95,607	98,736	710	3,049	7,363	235,606
Transfers							
Total Adjustments	28,984	95,607	98,736	710	3,049	7,363	235,606
5. Gross Operating Surplus	1,005,717	1,672,860	985,183	49,335	207,849	485,297	4,546,117
6. Return of Surplus							
7. Net Current Surplus	\$ 1,005,717	\$ 1,672,860	\$ 985,183	\$ 49,335	\$ 207,849	\$ 485,297	\$ 4,546,117

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

FUND YEAR - 2018

DECEMBER 31, 2018

(Unaudited)

	Coverages and Other Accounts							Total
	Property	Liability	Worker's Compensation	Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Loss Fund Contingency	General and Administrative	
1. <u>Underwriting Income</u>								
Regular Contributions (earned)	\$ 13,083,170	\$ 13,151,911	\$ 10,186,372	\$ 932,813	\$ 212,009	\$ 717,643	\$ 5,819,067	\$ 44,102,985
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>13,083,170</u>	<u>13,151,911</u>	<u>10,186,372</u>	<u>932,813</u>	<u>212,009</u>	<u>717,643</u>	<u>5,819,067</u>	<u>44,102,985</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,972,409	6,123,318	5,228,061		330,000			15,653,788
Expenses	9,746,919	7,120,907	3,184,679	1,741,277			5,776,585	27,570,367
Total Liabilities	<u>13,719,328</u>	<u>13,244,225</u>	<u>8,412,740</u>	<u>1,741,277</u>	<u>330,000</u>		<u>5,776,585</u>	<u>43,224,155</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(636,158)</u>	<u>(92,314)</u>	<u>1,773,632</u>	<u>(808,464)</u>	<u>(117,991)</u>	<u>717,643</u>	<u>42,482</u>	<u>878,830</u>
4. <u>Adjustments</u>								
Investment Income		47,318	61,566	59	2,019	4,876	2,764	118,602
Transfers				900,000				900,000
Total Adjustments		<u>47,318</u>	<u>61,566</u>	<u>900,059</u>	<u>2,019</u>	<u>4,876</u>	<u>2,764</u>	<u>1,018,602</u>
5. Gross Operating Surplus	<u>(636,158)</u>	<u>(44,996)</u>	<u>1,835,198</u>	<u>91,595</u>	<u>(115,972)</u>	<u>722,519</u>	<u>45,246</u>	<u>1,897,432</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (636,158)</u>	<u>\$ (44,996)</u>	<u>\$ 1,835,198</u>	<u>\$ 91,595</u>	<u>\$ (115,972)</u>	<u>\$ 722,519</u>	<u>\$ 45,246</u>	<u>\$ 1,897,432</u>

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2018
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 3,281,333	\$ 4,327,647	\$ 2,386,208		\$ 9,995,188
Case Reserves	(825,019)	2,035,983	2,981,350		4,192,314
IBNR Reserve		2,247,530	1,995,566		4,243,096
Subtotal	<u>2,456,314</u>	<u>8,611,160</u>	<u>7,363,124</u>		<u>18,430,598</u>
Excess Insurance					
Received					
Receivable					
Recoverable	<u>9,660</u>				<u>9,660</u>
Subtotal	<u>9,660</u>				<u>9,660</u>
Incurred Claims	<u>2,446,654</u>	<u>8,611,160</u>	<u>7,363,124</u>		<u>\$ 18,420,938</u>
Number of Claims	116	365	179		
Cost/Claim	<u>\$ 21,092</u>	<u>\$ 23,592</u>	<u>\$ 41,135</u>	<u>\$ -0-</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2018
(Unaudited)

	Coverages				
	Property	Liability	Worker's Compensation	Faithful Performance	Total
Paid Claims	\$ 3,842,951	\$ 2,903,883	\$ 232,098	\$ 236,290	\$ 7,215,222
Case Reserves	2	4,025,249	2,244,301	11,000	6,280,552
IBNR Reserve		4,096,726	2,144,362		6,241,088
Subtotal	3,842,953	11,025,858	4,620,761	247,290	19,736,862
Excess Insurance					
Received			75,207		75,207
Receivable		33,144			33,144
Recoverable	50,000				50,000
Subtotal	50,000	33,144	75,207		158,351
Incurred Claims	3,792,953	10,992,714	4,545,554	247,290	\$ 19,578,511
Number of Claims	136	301	136	4	
Cost/Claim	\$ 27,889	\$ 36,521	\$ 33,423	\$ 61,823	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2017
DECEMBER 31, 2018
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 2,139,111	\$ 76,056	\$ 930,718		\$ 3,145,885
Case Reserves	227,575		2,470,206	\$ 5,100	2,702,881
IBNR Reserve		4,625,933	3,655,859		8,281,792
Subtotal	<u>2,366,686</u>	<u>4,701,989</u>	<u>7,056,783</u>	<u>5,100</u>	<u>14,130,558</u>
Excess Insurance					
Received					
Receivable					
Recoverable	<u>189,646</u>				<u>189,646</u>
Subtotal	<u>189,646</u>				<u>189,646</u>
Incurred Claims	<u>2,177,040</u>	<u>4,701,989</u>	<u>7,056,783</u>	<u>5,100</u>	<u>\$ 13,940,912</u>
Number of Claims	61	283	101	5	
Cost/Claim	<u>\$ 35,689</u>	<u>\$ 16,615</u>	<u>\$ 69,869</u>	<u>\$ 1,020</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2018
DECEMBER 31, 2018
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 2,760,126		\$ 21		\$ 2,760,147
Case Reserves	2,477,039		20,979	\$ 330,000	2,828,018
IBNR Reserve	(81,070)	\$ 6,123,318	5,207,061		11,249,309
Subtotal	<u>5,156,095</u>	<u>6,123,318</u>	<u>5,228,061</u>	<u>330,000</u>	<u>16,837,474</u>
Excess Insurance					
Received					
Receivable					
Recoverable	<u>1,183,686</u>				<u>1,183,686</u>
Subtotal	<u>1,183,686</u>				<u>1,183,686</u>
Incurred Claims	<u>3,972,409</u>	<u>6,123,318</u>	<u>5,228,061</u>	<u>330,000</u>	<u>\$ 15,653,788</u>
Number of Claims	173	204	40	1	
Cost/Claim	<u>\$ 22,962</u>	<u>\$ 30,016</u>	<u>\$ 130,702</u>	<u>\$ 330,000</u>	

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2015
DECEMBER 31, 2018
(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 8,821,575		\$ 8,821,575
Liability	7,266,964		7,266,964
Worker's Compensation	2,808,631		2,808,631
Public Officials'/Employment Practice	887,835		887,835
Subtotal Excess	<u>19,785,005</u>		<u>19,785,005</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,154,900		1,154,900
Safety and Education	1,239,947		1,239,947
Administration	1,062,326		1,062,326
Actuary	47,224		47,224
Attorney	52,706		52,706
Auditor	27,199		27,199
Treasurer	23,710		23,710
Public Relations	84,291		84,291
Reinsurance Manager	287,865		287,865
Other Consultants	70,655		70,655
Internal Audit	48,029		48,029
Brokerage Expense	498,502		498,502
Non-Contracted Expenses	259,374		259,374
Risk Management Consultant	332,003		332,003
Subtotal Administrative	<u>5,188,731</u>		<u>5,188,731</u>
3. <u>Worker's Compensation</u>			
Managed Care	500,000		500,000
Subtotal Worker's Compensation	<u>500,000</u>		<u>500,000</u>
Total Expenses = 1+2+3	<u>\$ 25,473,736</u>	<u>\$ -0-</u>	<u>\$ 25,473,736</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2016
DECEMBER 31, 2018
(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 9,115,000		\$ 9,115,000
Liability	7,301,423		7,301,423
Worker's Compensation	2,680,792		2,680,792
Public Officials Liability	897,117		897,117
Subtotal Excess	<u>19,994,332</u>		<u>19,994,332</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,142,848		1,142,848
Safety and Education	1,234,778		1,234,778
Administration	1,079,316		1,079,316
Actuary	48,169		48,169
Attorney	65,528		65,528
Auditor	27,744		27,744
Treasurer	24,184		24,184
Other Consultants	230,251		230,251
Internal Audit	60,416		60,416
Reinsurance Manager	293,623		293,623
Brokerage Expense	508,472		508,472
Non-Contracted Expenses	193,213		193,213
Risk Management Consultant	336,323		336,323
Subtotal Administrative	<u>5,244,865</u>		<u>5,244,865</u>
3. <u>Worker's Compensation</u>			
Managed Care	515,000		515,000
Subtotal Workers's Compensation	<u>515,000</u>		<u>515,000</u>
Total Expenses = 1+2+3+4	<u>\$ 25,754,197</u>	<u>\$ -0-</u>	<u>\$ 25,754,197</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2017
DECEMBER 31, 2018
(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 9,454,521		\$ 9,454,521
Liability	7,015,754		7,015,754
Worker's Compensation	2,604,328		2,604,328
Public Officials Liability	873,988		873,988
Subtotal Excess	<u>19,948,591</u>		<u>19,948,591</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,153,273		1,153,273
Safety and Education	1,277,318		1,277,318
Administration	1,147,329		1,147,329
Actuary	49,133		49,133
Attorney	61,348		61,348
Auditor	28,298		28,298
Treasurer	24,668		24,668
Other Consultants	274,954		274,954
Reinsurance Manager	299,494		299,494
Internal Audit	33,689		33,689
Brokerage Expense	518,641		518,641
Non-Contracted Expenses	260,265		260,265
Risk Management Consultant	328,999		328,999
Subtotal Administrative	<u>5,457,409</u>		<u>5,457,409</u>
3. <u>Worker's Compensation</u>			
Managed Care	525,300		525,300
Subtotal Worker's Compensation	<u>525,300</u>		<u>525,300</u>
4. <u>Liability</u>			
EPL Credits	323,269		323,269
Subtotal Liability	<u>323,269</u>		<u>323,269</u>
Total Expenses = 1+2+3+4	<u>\$ 26,254,569</u>	<u>\$ -0-</u>	<u>\$ 26,254,569</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2018DECEMBER 31, 2018

(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 9,746,919		\$ 9,746,919
Liability	6,770,063		6,770,063
Worker's Compensation	2,659,379		2,659,379
Public Officials'/Employment Practice	1,741,277		1,741,277
Subtotal Excess	<u>20,917,638</u>		<u>20,917,638</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,132,265	\$ 36,336	1,168,601
Safety and Education	338,188		338,188
Administration	1,305,092	5,005	1,310,097
Actuary	50,116		50,116
Attorney	59,762	1,743	61,505
Auditor		28,863	28,863
Treasurer	25,161		25,161
Other Consultants	1,466,860	15,000	1,481,860
Reinsurance Manager	305,484		305,484
Internal Audit		4,000	4,000
Brokerage Expense	516,295	12,719	529,014
Non-Contracted Expenses	225,843	41,433	267,276
Risk Management Consultant	190,126	16,294	206,420
Subtotal Administrative	<u>5,615,192</u>	<u>161,393</u>	<u>5,776,585</u>
3. <u>Worker's Compensation</u>			
Managed Care	525,300		525,300
Subtotal Worker's Compensation	<u>525,300</u>		<u>525,300</u>
4. <u>Liability</u>			
EPL Credits	350,844		350,844
Subtotal Liability	<u>350,844</u>		<u>350,844</u>
Total Expenses = 1+2+3+4	<u>\$ 27,408,974</u>	<u>\$ 161,393</u>	<u>\$ 27,570,367</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
 PROGRAM SUMMARY
 FUND YEAR - 2018
 DECEMBER 31, 2018
 (Unaudited)
 COVERAGES

	Liability	Worker's Compensation	Property	Crime	Public Officials/ Employment Practices
1. Limits	\$5,000,000 CSL for general liability, automotive liability, and police professional. \$5,000,000 combined annual aggregate for general liability and police professional per municipality. Automotive liability is unaggregated. An optional \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 per occurrence and \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 aggregate is also available.	Cov. A - Statutory Cov. B - \$5,000,000	\$125 million per occurrence	\$1,000,000 per loss Statutory Positions Covered By Endorsement, subject to application & approval process	Optional limits of \$1,000,000, \$2,000,000, \$3,000,000, \$4,000,000 or \$8,000,000 are available excess of QBE Speciality Insurance Policies issued to members by the affiliated local Joint Insurance Fund
2. Fund Retention Specific	The difference between the underlying limits from \$200,000 to \$600,000 per occurrence and \$1,750,000.	\$1,700,000 excess of JIF \$300,000 (local retention may vary)	\$400,000 excess of JIF \$100,000	\$950,000 excess of JIF Self insured retention of \$50,000 JIF SIR does not provide coverage for statutory positions	None
3. Excess Insurers (list all insurers and amount insured)	General Reinsurance \$3,250,000 x of \$1,750,000. Munich Re optional limits up to \$15,000,000 excess of \$5,000,000	Safety National provides statutory as above over a \$2,000,000 JIF & MEL self insured retention and \$5,000,000 for employers liability.	Zurich Insurance	None	General Reinsurance
4. Number of Participants	19	19	19	19	18
5. Incurred Liabilities	\$13,244,225	\$8,412,740	\$13,719,328	\$330,000	\$1,741,277
6. Exposure Units (population or students) (A)	5,265,212 Population	2,979,452,834 Payroll	13,219,291,319 Property Value	34,552 Full time Employees	3,923,923 Population
7. Liabilities/Unit	\$2.70	\$0.01	\$0.01	\$9.55	\$4.05

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF CASH AND INVESTMENTS
DECEMBER 31, 2018
(Unaudited)

<u>Bank</u>	<u>Account Description</u>	<u>Amount</u>
Investors Bank-Claims-QL	Claims	\$ 41,711
Investors Bank-Claims-CB	Claims	825,950
Investors Bank-Claims-York	Claims	309,709
Money Market	Money Market	49,916
US Treasury Notes	Investment	50,990,762
New Jersey Cash Management Fund	Cash Management	5,953,253
Investors Savings	Checking	5,916,715
		<u>64,088,016</u>
Add: Deposit in Transit		
Less: Outstanding Checks		1,331,675
		<u>\$ 62,756,341</u>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE
DECEMBER 31, 2018
(Unaudited)

Amount Due From Reinsurance Company:		
Fund Year - MEL - Aggregate Excess Loss Fund Contingency		\$ 136,940
Fund Year 2015		260,625
Fund Year 2016		79,059
		<u>\$ 476,624</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF ASSESSMENTS RECEIVABLE
DECEMBER 31, 2018
(Unaudited)

Fund Year 2018	<u>\$ 5,962,031</u>
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ANALYSIS OF OTHER RECEIVABLES
DECEMBER 31, 2018
(Unaudited)

Accrued Interest Receivable	\$ 132,819
Notes Receivable Township of Fairfield	285,000
Notes Receivable Borough of Bogota	1,275,000
Notes Receivable Township of Belleville	183,370
Notes Receivable Borough of Maywood	<u>540,000</u>
	<u>\$ 2,416,189</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE
DECEMBER 31, 2018
(Unaudited)

Fund Year 2018:

Claims Administration	\$ 36,336
Administration	5,005
Attorney	1,743
External Auditor	28,863
Other Consultants	15,000
Risk Management Consultant	16,294
Brokerage Expense	12,719
Internal Audit	4,000
Non-Contracted Expenses	41,433
	<hr/>
	\$ 161,393
	<hr/> <hr/>

ANALYSIS OF MISCELLANEOUS LIABILITIES
DECEMBER 31, 2018

(Unaudited)

Fund Year - MEL - Aggregate Excess Loss Fund Contingency:

Due to Municipal Excess Liability Residual Claims Fund	\$ 7,811,361
	<hr/> <hr/>

REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS



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 Mt. Arlington, NJ 07856
 973-298-8500 | 973-298-8501 Fax

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Report on Internal Control Over Financial Reporting
 and on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Chairperson and Members
 of the Board of Fund Commissioners
 Municipal Excess Liability Joint Insurance Fund
 Parsippany, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Excess Liability Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
Municipal Excess Liability Joint Insurance Fund
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
April 19, 2019

Nirvana LLP

STATISTICAL SECTION

This part of the Fund's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Fund's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Fund's financial performance and well-being have changed over time.

Revenue Capacity (Not Applicable)

These schedules contain information to help the reader assess the factors affecting the Fund's ability to generate its revenue.

Debt Capacity (Not Applicable)

These schedules present information to help the reader assess the affordability of the Fund's current levels of outstanding debt and the Fund's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Fund's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the Fund's operations and resources to help the reader understand how the Fund's financial information relates to the services the Fund provides and the activities it performs.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NET POSITION BY COMPONENT
LAST TEN YEARS
(Unaudited)

	December 31,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-Type Activities										
Unrestricted	\$ 20,081,834	\$ 18,712,493	\$ 21,651,941	\$ 20,876,056	\$ 24,399,703	\$ 21,088,092	\$ 19,113,098	\$ 29,998,611	\$ 30,788,695	\$ 27,761,506
Total Business-Type Activities Net Position	\$ 20,081,834	\$ 18,712,493	\$ 21,651,941	\$ 20,876,056	\$ 24,399,703	\$ 21,088,092	\$ 19,113,098	\$ 29,998,611	\$ 30,788,695	\$ 27,761,506

Source - Insurance Fund Financial Records.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
SCHEDULE OF CHANGE IN NET POSITION
 LAST TEN YEARS
 (Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue:										
Assessments from Participating Members	\$ 55,811,911	\$ 57,156,175	\$ 43,756,127	\$ 43,245,446	\$ 43,307,995	\$ 44,620,104	\$ 45,611,847	\$ 43,450,989	\$ 44,367,354	\$ 44,109,647
Other Income	1,202,163	655,152	1,692,466	618,953	(121,095)	352,718	324,193	597,183	371,100	927,981
Investment Income	(493,063)	(59,956)	(223,077)	(183,932)	1,171,808	(2,071,522)	1,248,544	4,794,438	94,118	(824,443)
Change in Investment in Joint Venture										
Total Revenue	56,521,011	57,751,371	45,225,516	43,680,467	44,358,708	42,901,798	47,184,584	48,842,610	44,832,572	44,213,185
Expenses:										
Provision for Claims and Claim Adjustment Expense	29,331,266	27,208,859	9,291,311	6,999,622	6,677,234	10,589,937	8,838,158	(97,461)	5,653,871	11,543,780
Assessment for Participation in Municipal Excess										
Liability Residual Claims Fund	11,233,172	9,933,817	11,824,698	16,384,865	12,178,967	11,222,440	14,858,457	12,247,851	12,458,867	7,811,361
Insurance Premiums	16,521,667	16,599,145	16,140,890	15,709,983	16,638,026	18,926,665	19,783,632	19,987,434	19,930,759	20,926,903
Claims Administration	1,051,947	1,066,103	1,075,156	1,093,718	1,148,515	1,165,389	1,154,900	1,142,848	1,153,273	1,168,601
Other Contractual Services	2,600,113	2,421,972	2,176,048	2,445,527	2,333,285	2,321,010	2,407,344	2,513,117	2,596,844	3,119,579
Non-Contractual Expenses	79,312	100,833	75,844	87,923	107,039	207,089	269,856	193,597	240,292	279,776
Administration	881,786	899,276	901,582	918,536	935,607	954,319	1,016,726	1,124,916	1,147,468	1,317,570
EPL Credits										350,844
Insurance Brokerage Expense	451,508	460,538	460,538	469,749	479,144	488,727	498,502	508,472	518,641	529,014
Risk Management Fees	429,608	430,169	340,001	346,429	337,244	337,833	332,003	336,323	342,473	192,946
Total Expenses	62,580,379	59,120,712	42,286,068	44,456,352	40,835,061	46,213,409	49,159,578	37,957,097	44,042,488	47,240,374
Change in Net Position	\$ (6,059,368)	\$ (1,369,341)	\$ 2,939,448	\$ (775,885)	\$ 3,523,647	\$ (3,311,611)	\$ (1,974,994)	\$ 10,885,513	\$ 790,084	\$ (3,027,189)

Source - Insurance Fund Financial Records.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
MEMBER GROWTH ANALYSIS - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2018
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total number of members	19	19	19	19	19	19	19	19	19	19
Total employees	39,164	39,942	37,425	35,826	35,342	34,651	34,273	34,072	34,552	33,891
Total annual payrolls	\$ 2,757,613,822	\$ 2,840,076,088	\$ 2,927,920,398	\$ 2,801,787,698	\$ 2,858,665,559	\$ 2,832,850,557	\$ 2,835,141,051	\$ 2,835,141,051	\$ 2,929,818,008	\$ 2,979,452,834
Total member assessments	\$ 55,800,916	\$ 57,150,605	\$ 43,750,392	\$ 43,242,670	\$ 43,305,703	\$ 44,583,334	\$ 45,565,058	\$ 43,405,565	\$ 44,505,992	\$ 44,102,985
Total number of claims	1,051	1,057	566	730	485	548	660	577	450	418
Total reported losses	\$ 27,916,484	\$ 27,309,013	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 13,337,423	\$ 5,659,120	\$ 4,404,479

Note - Reported losses have not been discounted.

Source - Joint Insurance Fund - Executive Director's Office and Third Party Claims Administrator

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
REPORTED LOSS HISTORY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2018
(Unaudited)

During its years of existence, the Fund has incurred the following reported losses (paid claims plus case reserves from claims incurred by Fund members). The claims reflect both the impact of increase in membership, the delay in claims reaching the Fund's coverages, and the changes in the average cost per claim. These amounts do not include incurred but not reported ("IBNR") claim estimates.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property	\$ 943,217	\$ 1,573,788	\$ 2,750,317	\$ 2,867,601	\$ 2,015,047	\$ 3,241,842	\$ 2,446,654	\$ 3,792,953	\$ 2,177,040	\$ 4,053,479
Liability	2,144,344	7,294,066	4,668,810	6,204,320	1,956,876	4,099,517	6,363,630	6,895,988	76,056	
Workers' Compensation	7,949,595	5,282,356	6,381,177	3,390,024	4,605,555	2,511,948	5,367,558	2,401,192	3,400,924	21,000
Faithful Performance Bond	1,018,638	324,956		8,034	770,714	16,344		247,290	5,100	330,000
Public Officials' Liability	15,860,690	12,833,847	135,254			389				
Total	\$ 27,916,484	\$ 27,309,013	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 13,337,423	\$ 5,659,120	\$ 4,404,479
Total number of claims	1,051	1,057	566	730	485	548	660	577	450	418
Average cost per claim	\$ 26,562	\$ 25,836	\$ 24,621	\$ 17,082	\$ 19,275	\$ 18,011	\$ 21,482	\$ 23,115	\$ 12,576	\$ 10,537

Note - Reported losses have not been discounted.

Source - Joint Insurance Fund- Third Party Claims Administrator

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
REPORTED CLAIM ACTIVITY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2018

(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Property	27	40	91	217	43	70	116	136	61	173
Liability	355	371	300	332	278	332	365	301	283	204
Workers' Compensation	226	184	170	180	159	143	179	136	101	40
Faithful Performance Bond	2	3		1	5	2		4	5	1
Public Officials' Liability	441	459	5			1				
Total	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>548</u>	<u>660</u>	<u>577</u>	<u>450</u>	<u>418</u>
Claims settled in full	871	870	468	607	394	457	555	472	311	274
Claims pending	<u>180</u>	<u>187</u>	<u>98</u>	<u>123</u>	<u>91</u>	<u>91</u>	<u>105</u>	<u>105</u>	<u>139</u>	<u>144</u>
Total	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>548</u>	<u>660</u>	<u>577</u>	<u>450</u>	<u>418</u>

Source - Joint Insurance Fund - Third Party Claims Administrator