

**Municipal Excess Liability**  
**Joint Insurance Fund**  
Parsippany, New Jersey

Comprehensive Annual Financial Report  
For the Years Ended December 31, 2019 and 2018

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*

May 15, 2020

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, 2019 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**

In 2019, the MEL began the process of creating a Joint Cash and Investment Program since legislation was adopted and regulations were enacted modifying *Permissible Investments*.

The MEL launched its new Risk Management Information/Operating System (RMIS) through Origami during 2018. During 2019, the second phase of accepting monthly data from the various third party administrators affiliated with the MEL and JIFs into Origami was near completion. The MEL began the processing of generating monthly reports from one source for data.

In September of 2019, the MEL authorized the engagement of a firm to provide a comprehensive review of its Model Personnel Manual that is part of its Employment Practices Risk Management Program. The Model was created in 2003 and was updated every 2 years.

The MEL's Legislative Committee invested effort to suggest amendments to pending legislation concerning Firefighter's Cancer Presumption and Sexual Molestation – succeeding in limiting its impact on member municipalities. In particular, concerning the Sexual Molestation bill, the Fund Attorney, Deputy Executive Director and Lobbyist worked with representatives from the League of Municipalities, School Boards and Counties to revise the draft version of what was expected to be introduced to restore at least case law and common law immunities for public entities. The recently passed law's initial amendment wording would have made these type of claims a "strict liability". In addition, the MEL formed a special committee to manage these type of claims. The MEL also developed training materials.

Lastly, beginning in 2019, 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, 2019, the MEL's portfolio consisted of the following:

	Amount	Percentage of Total
Checking Accounts/Money Market	\$ 20,812,058	30.43%
New Jersey Cash Management	25,328,318	37.04%
Investments	22,244,964	32.53%
	\$ 68,385,340	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

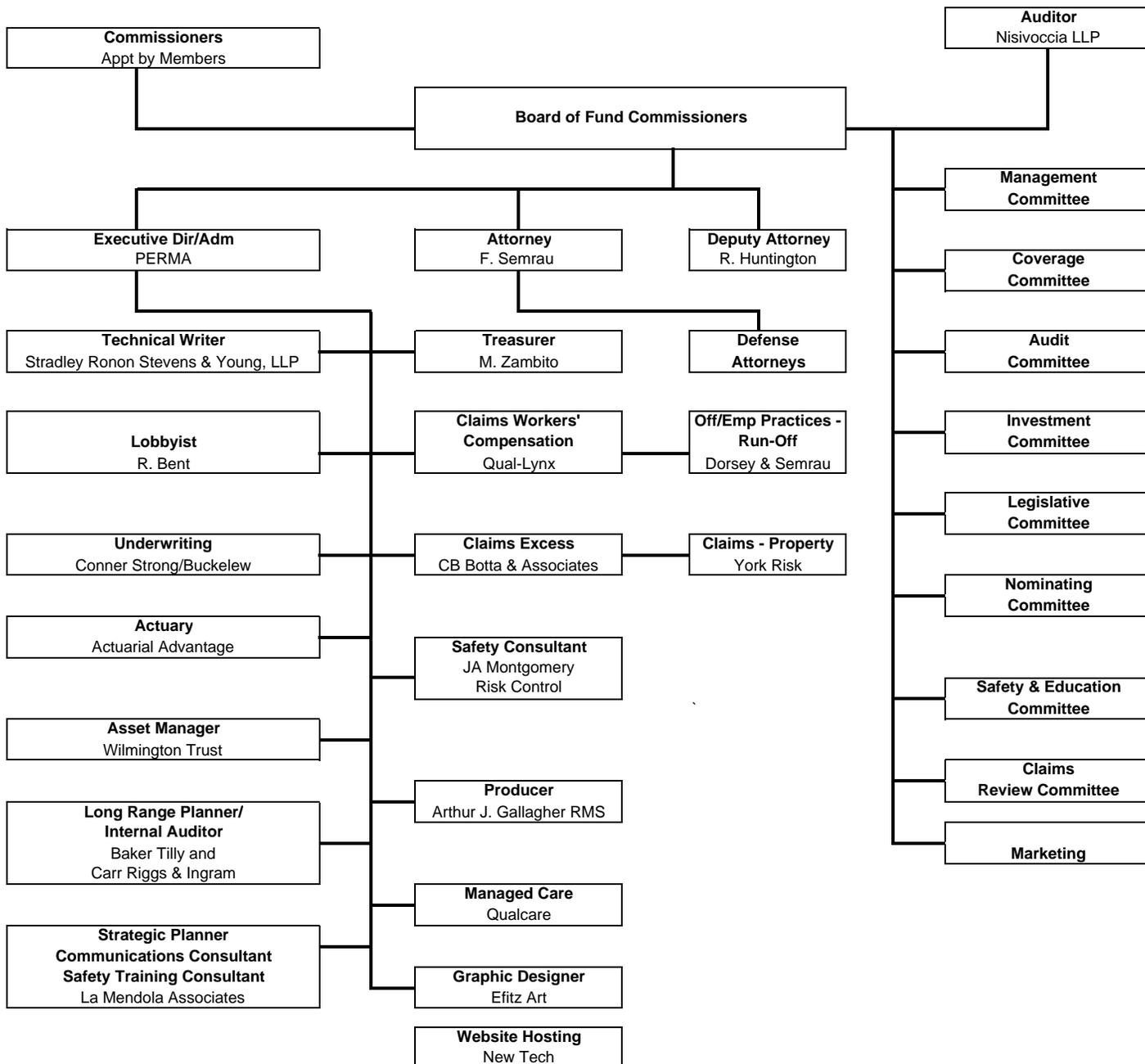
MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
ROSTER OF OFFICIALS AND CONSULTANTS  
DECEMBER 31, 2019

Richard Hirsch	Fund Chairman
Mauro Tucci	Fund Secretary
Jon Rheinhardt	Fund Commissioner
Thomas Nolan	Fund Commissioner
Joseph Wolk	Fund Commissioner
Meghan Jack	Fund Commissioner
Megan Champnee	Fund Commissioner
Veronica Laureigh	Fund Commissioner
Thomas 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, 2019

Pathways Governmental Relations LLC	Lobbyist
Stradley Ronon Stevens & Young, LLP	Technical Writer
JA Montgomery Risk Control	Safety Consultant and MSI Training
La Mendola Associates	Independent Strategic Planner & Communication Consultant, and Safety Trainer Consultant
Marketing Manager	Princeton Strategic Communications
Marketing Consultant	Acrisure
EFitz Art	Graphic Designer
New Tech	Website – Monthly Hosting
Learning Management System	FirstNet
Risk Management & Information System	Origami

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
2019 ORGANIZATIONAL CHART



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
MEMBERSHIP LISTING  
AS OF DECEMBER 31, 2019

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**

## 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, 2019 and 2018, 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, 2019 and 2018, 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 May 15, 2020 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 solely 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  
May 15, 2020

*Nisivoccia LLP*

**MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND**  
**Management Discussion and Analysis**

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, 2019 and 2018. 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, 2019, 2018 and 2017.

<u>SUMMARY OF STATEMENT OF NET POSITION</u>	<u>2019</u>	<u>2018</u>	<u>18-19 Percent Change</u>	<u>2017</u>	<u>17-18 Percent Change</u>
<b>ASSETS:</b>					
Cash, Cash Equivalents, Investments	\$ 68,385,340	\$ 62,756,341	8.97%	\$ 59,153,433	6.09%
Assessments Receivable	3,769,697	5,962,031	-36.77%	5,337,555	11.70%
Investment in Joint Venture	5,569,104	4,900,755	13.64%	5,725,198	-14.40%
Other Assets	2,570,321	2,892,813	-11.15%	4,749,006	-39.09%
<b>Total</b>	<u>80,294,462</u>	<u>76,511,940</u>	4.94%	<u>74,965,192</u>	2.06%
<b>LIABILITIES:</b>					
Loss Reserves	41,648,529	40,777,680	2.14%	43,902,885	-7.12%
Other Liabilities	12,373,297	7,972,754	55.19%	273,612	2813.89%
<b>Total</b>	<u>54,021,826</u>	<u>48,750,434</u>	10.81%	<u>44,176,497</u>	10.35%
<b>NET POSITION</b>	<u>\$ 26,272,636</u>	<u>\$ 27,761,506</u>	-5.36%	<u>\$ 30,788,695</u>	-9.83%

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

	<u>2019</u>	<u>2018</u>	18-19 Percent Change	<u>2017</u>	17-18 Percent Change
Operating Revenue:					
Assessments and Other Income	<u>\$47,310,501</u>	<u>\$44,109,647</u>	7.26%	<u>\$44,367,354</u>	-0.58%
Operating Expenses:					
Provision for Claims & Claims Expense	13,346,801	11,543,780	15.62%	5,653,871	104.17%
Assessment for Participation in RCF	12,190,987	7,811,361	56.07%	12,458,867	-37.30%
Insurance Premiums	18,974,820	20,926,903	-9.33%	19,930,759	5.00%
Administrative and Operating Expenses	<u>6,709,556</u>	<u>6,958,330</u>	-3.58%	<u>5,998,991</u>	15.99%
Total Operating Expenses	<u>51,222,164</u>	<u>47,240,374</u>	8.43%	<u>44,042,488</u>	7.26%
Operating Income/(Loss)	(3,911,663)	(3,130,727)	-24.94%	324,866	-1063.70%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	668,349	(824,443)	-181.07%	94,118	-975.97%
Investment Income	<u>1,754,444</u>	<u>927,981</u>	89.06%	<u>371,100</u>	150.06%
Increase/(Decrease) in Net Position	<u>\$ (1,488,870)</u>	<u>\$ (3,027,189)</u>	50.82%	<u>\$ 790,084</u>	-483.15%

The Fund's asset base increased by 4.94% during the reporting period and cash and investments increased by 8.97%, primarily due to a 36.77% decrease in Assessments Receivable. 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 increased by 13.64% reflecting an increase in equity retained by that entity.

The Fund's liabilities increased by 10.81% due to a 55.19% increase in Other Liabilities which is primarily due to the RCF for the current year's claims transfer of Fund Year 2015 and the RCF surplus trigger assessment.

For 2019 assessments increased 7.26%. The provision for claims and claims expense increased by 15.62%. Insurance premiums decreased by 9.33%, and administrative and operating expenses also decreased by 3.58%. Investment income increased by 89.06%. For 2019, 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 \$26,772,636 in 2019 compared to \$26,761,506 at the end of 2018; a decrease of 5.36%. 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	
	2019	2018
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 46,140,376	\$ 11,765,579
Investments	22,244,964	50,990,762
Assessments Receivable	3,769,697	5,962,031
Refund Receivable	18,309	
Notes Receivable	297,587	164,587
Accrued Interest Receivable	80,971	132,819
Insurance Receivables	282,349	476,624
Prepaid Expenses	69,909	
Investment in Joint Venture	5,569,104	4,900,755
Total Current Assets	78,473,266	74,393,157
Long-Term Assets:		
Notes Receivable	1,821,196	2,118,783
Total Long-Term Assets	1,821,196	2,118,783
Total Assets	80,294,462	76,511,940
<u>LIABILITIES:</u>		
Loss Reserves	41,648,529	40,777,680
Accounts Payable - Vendors	182,310	161,393
Due to Municipal Excess Liability Residual Claims Fund	12,190,987	7,811,361
Total Liabilities	54,021,826	48,750,434
<u>NET POSITION:</u>		
Unrestricted	26,272,636	27,761,506
Total Net Position	\$ 26,272,636	\$ 27,761,506

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	
	2019	2018
Operating Revenue:		
Assessments from Participating Members	\$ 47,310,501	\$ 44,109,647
Total Operating Revenue	<u>47,310,501</u>	<u>44,109,647</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$1,084,311 and \$1,411,303 for 2019 and 2018, respectively)	13,346,801	11,543,780
Assessment for Participation in Municipal Excess Liability		
Residual Claims Fund	12,190,987	7,811,361
Insurance Premiums	18,974,820	20,926,903
Claims Administration	1,193,587	1,168,601
Other Contractual Services	1,967,652	2,288,795
Non-Contractual Expenses	285,270	279,776
Administration	1,336,443	1,317,570
EPL Credits	327,608	350,844
Insurance Brokerage Expense	539,594	529,014
Managed Care	535,806	525,300
Reinsurance Manager	311,593	305,484
Risk Management Fees	<u>212,003</u>	<u>192,946</u>
Total Operating Expenses	<u>51,222,164</u>	<u>47,240,374</u>
Operating Income/(Loss)	(3,911,663)	(3,130,727)
Non-Operating Income/(Expenses):		
Change in Investment in Joint Venture	668,349	(824,443)
Investment Income/(Loss)	<u>1,754,444</u>	<u>927,981</u>
Change in Net Position	(1,488,870)	(3,027,189)
Net Position - Beginning of Year	<u>27,761,506</u>	<u>30,788,695</u>
Net Position - End of Year	<u>\$ 26,272,636</u>	<u>\$ 27,761,506</u>

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>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Assessments Collected	\$ 49,502,835	\$ 43,485,171
Refunds	5,454,091	3,934,471
Claims Expense	(17,930,043)	(18,603,456)
Professional and Administrative Expenses	(6,612,270)	(7,552,115)
Insurance Premiums	(18,780,545)	(18,635,274)
Municipal Excess Liability Residual Claims Fund	(7,811,361)	7,362
Net Cash Provided/(Used) by Operating Activities	<u>3,822,707</u>	<u>2,636,159</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(886,107)	(1,251,133)
Proceeds from Sales and Maturities of Investment Securities	30,123,713	1,743,135
Investment Income	1,314,484	1,005,997
Net Cash Provided/(Used) by Investing Activities	<u>30,552,090</u>	<u>1,497,999</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	34,374,797	4,134,158
Cash and Cash Equivalents, January 1	<u>11,765,579</u>	<u>7,631,421</u>
Cash and Cash Equivalents, December 31	<u>\$ 46,140,376</u>	<u>\$ 11,765,579</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (3,911,663)	\$ (3,130,727)
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	2,192,334	(624,476)
Insurance Receivables	194,275	2,291,629
Due from Municipal Excess Liability Residual Claims Fund		7,362
Accounts Receivable	(18,309)	
Prepaid Expense	(69,909)	5,148
Notes Receivable	164,587	(486,714)
Increase/(Decrease) in Liabilities:		
Loss Reserves	870,849	(3,125,205)
Accounts Payable	20,917	24,828
Other Liabilities		(137,047)
Due to Municipal Excess Liability Residual Claims Fund	4,379,626	7,811,361
Net Cash Provided/(Used) by Operating Activities	<u>\$ 3,822,707</u>	<u>\$ 2,636,159</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, 2019

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, 2019  
(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, 2019  
(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 \$18,974,820 and \$20,926,903 for the years ended December 31, 2019 and 2018, respectively. The amount deducted from claims liabilities for reinsurance was \$2,500,827 and \$1,432,992 at December 31, 2019 and 2018, 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, 2019  
(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, 2019. 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, 2019 and 2018, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2019</u>	<u>2018</u>
Case Reserves	\$ 9,105,601	\$ 10,762,395
Losses Incurred but not Reported	<u>32,542,928</u>	<u>30,015,285</u>
Total Loss Reserves	<u>\$ 41,648,529</u>	<u>\$ 40,777,680</u>

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

	<u>2019</u>	<u>2018</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 40,777,680</u>	<u>\$ 43,902,885</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	15,334,166	14,434,097
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(1,987,365)</u>	<u>(2,890,317)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>13,346,801</u>	<u>11,543,780</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	2,834,668	2,760,147
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>9,641,284</u>	<u>11,908,838</u>
Total Payments	<u>12,475,952</u>	<u>14,668,985</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 41,648,529</u>	<u>\$ 40,777,680</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(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, 2019, \$43,951,242 of unpaid claims and claim adjustment expenses are presented at their net present value of \$41,648,529. These claims are discounted at an annual rate of 1.79%.

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%.

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, 2019  
(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, 2019 and 2018, cash and cash equivalents of the Fund consisted of the following:

	Dec. 31, 2019	Dec. 31, 2018
Checking Accounts	\$ 20,775,859	\$ 5,762,410
Money Market Account	36,199	49,916
Cash Management Funds	25,328,318	5,953,253
	\$ 46,140,376	\$ 11,765,579

The carrying amount of the Fund's cash and cash equivalents as of December 31, 2019 and 2018 were \$46,140,376 and \$11,765,579 respectively. The bank balances as of December 31, 2019 and 2018 were \$47,289,365 and \$13,097,255, respectively. The \$25,328,318 and \$5,953,253 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, 2019  
 (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, 2019 and 2018 consisted of the following recurring fair value measurements as Level 1 inputs:

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019  
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

	Balance Dec. 31, 2019	Weighted Average Maturity in Months	Balance Dec. 31, 2018	Weighted Average Maturity in Months
United States Treasury Notes	<u>\$ 22,244,964</u>	63.51	<u>\$ 50,990,762</u>	37.66
	<u>\$ 22,244,964</u>	<u>63.51</u>	<u>\$ 50,990,762</u>	<u>37.66</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 2016 - Property	\$ 1,321,880
Fund Year 2016 - Liability	4,058,017
Fund Year 2016 - Faithful Performance Bond	22,580
Fund Year 2018 - Property	903,377
Fund Year 2018 - Liability	1,084,646
Fund Year 2018 - Faithful Performance Bond	110,958
Fund Year 2019 - Faithful Performance Bond	201,567

In addition, at December 31, 2019 the Fund had an overall deficit in Fund Year 2016 of \$1,749,292.

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, 2019  
 (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 2019, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2015 Fund Year. Loss reserves totaling \$12,190,987 at June 30, 2019, were assumed as of June 30, 2019 in exchange for the Fund's assessment for participation in the Residual Fund of \$12,190,987.

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.

The December 31, 2019 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, 2018 is as follows:

Total Assets	<u>\$ 98,479,254</u>
Net Position	<u>\$ 11,108,330</u>
Total Revenue	<u>\$ 23,065,917</u>
Total Expenses	<u>\$ 23,282,972</u>
Change in Net Position	<u>\$ (850,055)</u>
Member Dividends	<u>\$ 633,000</u>

The Fund's equity interest in the Residual Fund was \$5,569,104 and \$4,900,755 as of December 31, 2019 and 2018, 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, 2019  
(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 installment 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, 2019  
(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 2019, 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.

NOTE 13: SUBSEQUENT EVENTS

Management continues to evaluate the impact of the COVID 19 pandemic on the organization. While the financial impact of Workers' Compensation claims from this exposure is uncertain, management is confident that that MEL has more than sufficient resources to pay all claims in a timely fashion. Further, the members are experiencing a lower rate of other workers' compensation claims because they have reduced their operations. Liability claims are also expected to decline because of (1) the stronger immunities under New Jersey Law during a declared emergency and (2) the lower number of accidents due to reduced member operations. Management expects a jump in excess and reinsurance premiums beginning 2021 and is currently taking steps to mitigate this increase.

The Fund created a Joint Cash Management and Investment Program (JCMI) and is inviting affiliated local Joint Insurance Funds to participate. The JCMI will provide the MEL and the Participant JIFs with greater investment opportunities, including the purchase of debt securities by highly rated municipalities. Recognizing the volatility of the current municipal bond market, the JCMI prioritized its investments in local bond issuances to support members.

**REQUIRED SUPPLEMENTARY INFORMATION**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
 COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND  
 FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Property		Liability		Faithful Performance Bond		Worker's Compensation		Public Officials/ Employment Practices		Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Unpaid claims and claim adjustment expenses at beginning of year	\$ (353,556)	\$ 727,490	\$ 20,400,568	\$ 22,144,908	\$ 330,007	\$ 17,474	\$ 14,198,612	\$ 14,810,964	\$ 6,202,049	\$ 6,202,049	\$ 40,777,680	\$ 43,902,885
Incurrd claims and claim adjustment expenses:												
Provision for insured events of the current period	3,167,600	3,947,641	6,546,988	5,626,422	424,648	325,168	5,194,930	4,534,866			15,334,166	14,434,097
Increases/(decreases) in provision for insured events of prior years	1,108,337	(1,070,800)	(547,215)	1,682,679	(16,621)	171,920	(2,531,866)	(3,674,116)			(1,987,365)	(2,890,317)
Total incurred claims and claim adjustment expenses	4,275,937	2,876,841	5,999,773	7,309,101	408,027	497,088	2,663,064	860,750			13,346,801	11,543,780
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current period	2,519,536	2,760,126			315,132			21			2,834,668	2,760,147
Claims and claim adjustment expenses attributable to insured events of the current period	1,489,399	1,197,761	6,892,210	9,053,441	(14,849)	184,555	1,274,524	1,473,081			9,641,284	11,908,838
Total payments	4,008,935	3,957,887	6,892,210	9,053,441	300,283	184,555	1,274,524	1,473,102			12,475,952	14,668,985
Unpaid claims and claim adjustment expenses at end of year	\$ (86,554)	\$ (353,556)	\$ 19,508,131	\$ 20,400,568	\$ 437,751	\$ 330,007	\$ 15,587,152	\$ 14,198,612	\$ 6,202,049	\$ 6,202,049	\$ 41,648,529	\$ 40,777,680

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

	Fiscal Period Ended December 31, 2019 and Policy Period Ended December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Required contribution and investment revenue:										
Earned	\$ 57,870,179	\$ 44,036,278	\$ 43,550,580	\$ 43,558,176	\$ 44,892,042	\$ 45,952,529	\$ 43,909,018	\$ 45,108,961	\$ 44,563,726	\$ 47,469,718
Ceded	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	18,974,820
	41,460,878	28,109,592	27,496,276	26,929,609	25,975,091	26,167,524	23,914,686	25,160,370	23,646,088	28,494,898
Unallocated expenses	5,449,446	5,021,589	5,759,865	6,306,053	5,463,777	5,688,731	5,759,865	6,306,053	6,653,548	6,708,662
Estimated claims and expenses, end of policy year:										
Incurred	26,597,577	20,481,518	27,880,350	14,995,169	16,964,638	18,870,160	14,769,676	12,465,172	15,617,783	16,845,118
Ceded	59,968	2,652,457	10,953,464	14,995,169	16,964,638	1,517,755	274,112	37,544	1,183,686	1,510,952
Net Incurred	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	15,334,166
Paid (cumulative) as of:										
End of policy year	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	2,834,668
One year later	6,774,613	2,730,660	3,494,160	2,004,303	3,193,210	4,915,572	5,700,905	3,145,885	6,174,859	
Two years later	13,761,525	3,509,534	3,661,571	3,011,985	3,270,026	5,359,519	7,106,871	4,199,779		
Three years later	18,940,810	6,173,844	6,903,479	4,977,992	4,150,705	9,995,188	10,690,019			
Four years later	22,342,545	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718				
Five years later	22,342,545	7,396,289	9,156,994	5,166,389	7,777,172					
Six years later	22,342,545	7,396,289	9,156,994	5,166,389						
Seven years later	22,342,545	7,396,289	9,156,994							
Eight years later	22,342,545	7,396,289								
Nine years later	22,342,545									
Reestimated ceded claims and expenses	27,096,053	28,181,181	28,380,548	28,380,548	28,380,548	28,380,548	108,351		1,006,351	1,510,952
Reestimated incurred claims and expense:										
End of policy year	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	15,334,166
One year later	25,131,425	15,622,139	15,662,386	15,616,435	16,322,145	16,500,405	17,375,790	12,902,178	16,519,142	
Two years later	28,183,952	16,176,988	15,870,592	16,626,074	14,088,530	16,535,077	18,680,599	14,206,403		
Three years later	32,262,330	18,892,599	18,485,509	14,477,179	13,680,665	17,768,894	19,488,140			
Four years later	22,342,546	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718				
Five years later	22,342,546	7,396,289	9,156,994	5,166,389	7,777,172					
Six years later	22,342,546	7,396,289	9,156,994	5,166,389						
Seven years later	22,342,546	7,396,289	9,156,994							
Eight years later	22,342,546	7,396,289								
Nine years later	22,342,546									
Increase/(decrease) in estimated incurred claims and expense from end of policy year	\$ (4,195,063)	\$ (10,432,772)	\$ (7,769,892)	\$ (9,828,780)	\$ (9,187,466)	\$ (5,767,687)	\$ 4,992,576	\$ 1,778,775	\$ 2,085,045	\$ -0-

**COMBINING SUPPLEMENTARY SCHEDULES**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2019

	Fund Year					Total
	2016	2017	2018	2019		
<u>ASSETS</u>						
Current Assets:						
Cash and Cash Equivalents						
Investments						
Assessments Receivable						
Accounts Receivable						
Accrued Interest Receivable						
Insurance Receivables						
Prepaid Expense						
Investment in Joint Venture						
Total Current Assets						
Long Term Assets:						
Notes Receivable						
Total Long-Term Assets						
Total Assets						
<u>LIABILITIES</u>						
Loss Reserves						
Accounts Payable						
Due to Municipal Excess Liability						
Residual Claims Fund						
Total Liabilities						
<u>NET POSITION</u>						
Unrestricted/(Deficit)						
Total Net Position/(Deficit)						

MEL

Aggregate Excess  
Loss Fund  
Contingency

\$	13,039,197	\$	9,875,627	\$	7,885,164	\$	10,311,402	\$	46,140,376
	6,286,392		4,761,187		3,801,555		4,971,281		22,244,964
	18,309						3,769,697		3,769,697
	297,587								18,309
	25,905		17,723		14,487		11,590		297,587
	265,873				16,476				80,971
	5,569,104						69,909		282,349
	25,502,367		14,654,537		11,717,682		19,133,879		69,909
									5,569,104
									78,473,266

1,821,196  
1,821,196

27,323,563

11,717,682

19,133,879

80,294,462

10,344,286

8,798,120

10,006,624

12,499,499

41,648,529

182,310

182,310

12,190,987

12,190,987

12,681,809

54,021,826

(1,333,319)

8,798,120

10,006,624

12,681,809

54,021,826

15,132,576

(1,333,319)

4,647,913

6,452,070

26,272,636

15,132,576

(1,333,319)

4,647,913

6,452,070

26,272,636

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Fund Year				Total
	2016	2017	2018	2019	
MEL					
Aggregate Excess Loss Fund Contingency			\$ (3,775)	\$ 47,314,276	\$ 47,310,501
			(3,775)	47,314,276	47,310,501
Operating Revenue:					
Assessments from Participating Members					
Total Operating Revenue					
Operating Expenses:					
Provision for Claims and Claim Adjustment Expense	\$ (6,184,176)	\$ 1,304,221	2,085,048	15,334,166	13,346,801
Assessment for Participation in Municipal Excess Liability					
Residual Claims Fund					
Insurance Premiums				18,974,820	12,190,987
Claims Administration			1,000	1,192,587	18,974,820
Other Contractual Services				1,967,652	1,193,587
Non-Contractual Expenses				285,270	1,967,652
Administration		75	69	1,336,299	285,270
EPL Credits			(250)	327,858	1,336,443
Insurance Brokerage Expense				539,594	327,608
Managed Care				535,806	539,594
Reinsurance Manager				311,593	535,806
Risk Management Fees				212,003	311,593
Total Operating Expenses	6,006,811	1,304,296	2,085,867	41,017,648	51,222,164
Operating Income/(Loss)	(6,006,811)	(1,304,296)	(2,089,642)	6,296,628	(3,911,663)
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	668,349				668,349
Investment Income/(Loss)	624,422	367,363	345,915	155,442	1,754,444
Change in Net Position	(4,714,040)	(936,933)	(1,743,727)	6,452,070	(1,488,870)
Net Position - Beginning of Year	19,846,616	5,584,846	3,117,123		27,761,506
Net Position/(Deficit) - End of Year	\$ 15,132,576	\$ 4,647,913	\$ 1,373,396	\$ 6,452,070	\$ 26,272,636

**SUPPLEMENTARY DATA**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
HISTORICAL OPERATING RESULTS ANALYSIS  
ALL FUND YEARS  
DECEMBER 31, 2019  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,048,442,854		
Supplemental Contributions	862,606		
Other Income (except investments)	187,207		
Total Income			\$ 1,049,492,667
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	315,411,388		
Case Reserves	13,909,141		
IBNR Reserve	32,542,928		
Subtotal		\$ 361,863,457	
Less Excess Insurance:			
Received	28,223,026		
Receivable	282,349		
Recoverable	2,500,827		
Subtotal		31,006,202	
Limited Incurred Claims (claims-excess)		330,857,255	
<u>Expenses:</u>			
Excess Insurance Premiums	592,955,033		
Administrative	117,824,682		
Worker's Compensation	5,400,209		
Property Grant	270,408		
EPL Credits	1,001,971		
Subtotal Expenses		717,452,303	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			<u>1,048,309,558</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			1,183,109
4. <u>Investment Income (Earned)</u>			61,483,296
4a <u>Transfer</u>			
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			62,666,405
6. <u>Return of Surplus:</u>			
Paid	44,265,586		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>44,265,586</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 18,400,819</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
HISTORICAL BALANCE SHEET  
ALL FUND YEARS  
DECEMBER 31, 2019  
(Unaudited)

1. Assets:

Cash and Investments (1)	\$ 68,385,340		\$ 68,385,340
<u>Receivables (1):</u>			
Excess Insurance	282,349		
Assessments	3,769,697		
Other	2,218,063		
Total Receivables			6,270,109
Prepaid Expenses (1)			69,909
Other Assets (1)			
<u>Total Assets</u>			<u>\$ 74,725,358</u>

2. Liabilities:

<u>Claims:</u>			
Case Reserves	11,408,314		
IBNR Reserve (2)	32,542,928		
Subtotal Claims			43,951,242
<u>Expenses (unpaid) (1):</u>			
Excess Insurance			
Administrative	182,310		
Subtotal Expenses			182,310
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)	12,190,987		
Subtotal			12,190,987
<u>Total Liabilities</u>			<u>56,324,539</u>

NET CURRENT SURPLUS/(DEFICIT) = 1-2

\$ 18,400,819

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, 2019  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 869,117,812		
Supplemental Contributions	862,606		
Other Income (except investments)	<u>187,207</u>		
Total Income			\$ 870,167,625
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	291,387,236		
Case Reserves			
IBNR Reserve			
Subtotal		<u>\$ 291,387,236</u>	
Less Excess Insurance:			
Received	28,114,675		252,405
Receivable	265,873		252,405
Recoverable			
Subtotal		<u>28,380,548</u>	
Limited Incurred Claims (claims-excess)		<u>263,006,688</u>	
<u>Expenses:</u>			
Excess Insurance Premiums	513,119,652		
Administrative	95,499,931		
Workers Compensation	3,298,803		
Property Grant	<u>270,408</u>		
Subtotal Expenses		<u>612,188,794</u>	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			<u>875,195,482</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(5,027,857)
4. <u>Investment Income (Earned)</u>			59,756,915
4a. <u>Transfer</u>			<u>(900,000)</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			53,829,058
6. <u>Return of Surplus:</u>			
Paid	44,265,586		
Authorized and Unpaid			
Subtotal Return of Surplus		<u>44,265,586</u>	
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 9,563,472</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2016  
DECEMBER 31, 2019  
(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	10,798,370		
Case Reserves	4,070,865		
IBNR Reserve	5,143,229		
Subtotal			\$ 20,012,464
Less Excess Insurance:			
Received	108,351		
Receivable			
Recoverable			
Subtotal			108,351
Limited Incurred Claims (claims-excess)			19,904,113
<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)			45,658,310
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(2,252,745)
4. <u>Investment Income (Earned)</u>			503,453
4a. <u>Transfer</u>			
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(1,749,292)
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ (1,749,292)

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2017  
DECEMBER 31, 2019  
(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	4,199,779		
Case Reserves	4,061,322		
IBNR Reserve	6,476,886		
Subtotal			\$ 14,737,987
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			14,737,987
<u>Expenses:</u>			
Excess Insurance Premiums	19,948,591		
Administrative	5,457,484		
Worker's Compensation	525,300		
EPL Credits	323,269		
Subtotal Expenses			26,254,644
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			40,992,631
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,513,361
4. <u>Investment Income (Earned)</u>			602,969
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			4,116,330
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 4,116,330

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2019  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 44,099,209		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 44,099,209
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	6,191,335		
Case Reserves	2,545,967		
IBNR Reserve	9,354,636		
Subtotal			\$ 18,091,938
Less Excess Insurance:			
Received			
Receivable	16,476		
Recoverable	989,875		
Subtotal			1,006,351
Limited Incurred Claims (claims-excess)			17,085,587
<u>Expenses:</u>			
Excess Insurance Premiums	20,917,638		
Administrative	5,777,404		
Workers' Compensation	525,300		
EPL Credits	350,844		
Subtotal Expenses			27,571,186
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			44,656,773
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(557,564)
4. <u>Investment Income (Earned)</u>			464,517
4a <u>Transfers</u>			900,000
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			806,953
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 806,953

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2019  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 47,314,276		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 47,314,276
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	2,834,668		
Case Reserves	3,230,987		
IBNR Reserve	11,568,177		
Subtotal		\$ 17,633,832	
Less Excess Insurance:			
Received			
Receivable			
Recoverable	1,510,952		
Subtotal		1,510,952	
Limited Incurred Claims (claims-excess)		16,122,880	
<u>Expenses:</u>			
Excess Insurance Premiums	18,974,820		
Administrative	5,844,998		
Worker's Compensation	535,806		
EPL Credits	327,858		
Subtotal Expenses		25,683,482	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			41,806,362
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			5,507,914
4. <u>Investment Income (Earned)</u>			155,442
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			5,663,356
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 5,663,356

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2016  
DECEMBER 31, 2019  
(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)	\$ 11,660,761	\$ 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	<u>11,660,761</u>	<u>13,323,962</u>	<u>11,498,206</u>	<u>905,879</u>	<u>207,239</u>	<u>473,494</u>	<u>5,336,024</u>	<u>43,405,565</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,868,266	10,208,408	5,594,998		232,441			19,904,113
Expenses	9,115,000	7,301,423	3,195,792	897,117			5,244,865	25,754,197
Total Liabilities	<u>12,983,266</u>	<u>17,509,831</u>	<u>8,790,790</u>	<u>897,117</u>	<u>232,441</u>		<u>5,244,865</u>	<u>45,658,310</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(1,322,505)</u>	<u>(4,185,869)</u>	<u>2,707,416</u>	<u>8,762</u>	<u>(25,202)</u>	<u>473,494</u>	<u>91,159</u>	<u>(2,252,745)</u>
4. <u>Adjustments</u>								
Investment Income	625	127,852	345,947	353	2,622	19,953	6,101	503,453
Transfers								
Total Adjustments	<u>625</u>	<u>127,852</u>	<u>345,947</u>	<u>353</u>	<u>2,622</u>	<u>19,953</u>	<u>6,101</u>	<u>503,453</u>
5. Gross Operating Surplus	<u>(1,321,880)</u>	<u>(4,058,017)</u>	<u>3,053,363</u>	<u>9,115</u>	<u>(22,580)</u>	<u>493,447</u>	<u>97,260</u>	<u>(1,749,292)</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (1,321,880)</u>	<u>\$ (4,058,017)</u>	<u>\$ 3,053,363</u>	<u>\$ 9,115</u>	<u>\$ (22,580)</u>	<u>\$ 493,447</u>	<u>\$ 97,260</u>	<u>\$ (1,749,292)</u>

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

FUND YEAR - 2017

DECEMBER 31, 2019

(Unaudited)

Coverages and Other Accounts

	Property	Liability	Worker's Compensation	Optional Excess					Loss Fund Contingency	General and Administrative	Total
				Public Officials'/ Employment Practices	Faithful Performance Bond						
1. <u>Underwriting Income</u>											
Regular Contributions (earned)	\$ 12,608,294	\$ 13,618,265	\$ 11,072,858	\$ 922,613	\$ 209,900	\$ 477,934	\$ 5,596,128	\$ 44,505,992			
Supplemental Contributions											
Other Income (except investments)											
Total Income	<u>12,608,294</u>	<u>13,618,265</u>	<u>11,072,858</u>	<u>922,613</u>	<u>209,900</u>	<u>477,934</u>	<u>5,596,128</u>	<u>44,505,992</u>			
2. <u>Incurred Liabilities</u>											
Claims (limited incurred)	2,353,928	5,429,694	6,954,365					14,737,987			
Expenses	9,454,521	7,339,023	3,129,628	873,988			5,457,484	26,254,644			
Total Liabilities	<u>11,808,449</u>	<u>12,768,717</u>	<u>10,083,993</u>	<u>873,988</u>			<u>5,457,484</u>	<u>40,992,631</u>			
3. <u>Underwriting Surplus/(Deficit)</u>	799,845	849,548	988,865	48,625	209,900	477,934	138,644	3,513,361			
4. <u>Adjustments</u>											
Investment Income	54,402	245,350	269,435	1,905	8,207	19,118	4,552	602,969			
Transfers											
Total Adjustments	<u>54,402</u>	<u>245,350</u>	<u>269,435</u>	<u>1,905</u>	<u>8,207</u>	<u>19,118</u>	<u>4,552</u>	<u>602,969</u>			
5. Gross Operating Surplus	854,247	1,094,898	1,258,300	50,530	218,107	497,052	143,196	4,116,330			
6. Return of Surplus											
7. Net Current Surplus	<u>\$ 854,247</u>	<u>\$ 1,094,898</u>	<u>\$ 1,258,300</u>	<u>\$ 50,530</u>	<u>\$ 218,107</u>	<u>\$ 497,052</u>	<u>\$ 143,196</u>	<u>\$ 4,116,330</u>			

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2019  
(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	\$ 13,148,770	\$ 10,186,372	\$ 932,813	\$ 212,009	\$ 717,643	\$ 5,818,432	\$ 44,099,209
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>13,083,170</u>	<u>13,148,770</u>	<u>10,186,372</u>	<u>932,813</u>	<u>212,009</u>	<u>717,643</u>	<u>5,818,432</u>	<u>44,099,209</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	4,239,628	7,308,333	5,207,626		330,000			17,085,587
Expenses	9,746,919	7,120,907	3,184,679	1,741,277			5,777,404	27,571,186
Total Liabilities	<u>13,986,547</u>	<u>14,429,240</u>	<u>8,392,305</u>	<u>1,741,277</u>	<u>330,000</u>		<u>5,777,404</u>	<u>44,656,773</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(903,377)</u>	<u>(1,280,470)</u>	<u>1,794,067</u>	<u>(808,464)</u>	<u>(117,991)</u>	<u>717,643</u>	<u>41,028</u>	<u>(557,564)</u>
4. <u>Adjustments</u>								
Investment Income		195,824	241,852	59	7,033	16,985	2,764	464,517
Transfers			900,000					900,000
Total Adjustments		<u>195,824</u>	<u>241,852</u>	<u>900,059</u>	<u>7,033</u>	<u>16,985</u>	<u>2,764</u>	<u>1,364,517</u>
5. Gross Operating Surplus	<u>(903,377)</u>	<u>(1,084,646)</u>	<u>2,035,919</u>	<u>91,595</u>	<u>(110,958)</u>	<u>734,628</u>	<u>43,792</u>	<u>806,953</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (903,377)</u>	<u>\$ (1,084,646)</u>	<u>\$ 2,035,919</u>	<u>\$ 91,595</u>	<u>\$ (110,958)</u>	<u>\$ 734,628</u>	<u>\$ 43,792</u>	<u>\$ 806,953</u>

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2019  
(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)	\$ 14,086,222	\$ 13,264,389	\$ 10,697,558	\$ 1,680,557	\$ 221,607	\$ 1,290,771	\$ 6,073,172	\$	\$ 47,314,276
Supplemental Contributions									
Other Income (except investments)									
Total Income	14,086,222	13,264,389	10,697,558	1,680,557	221,607	1,290,771	6,073,172		47,314,276
2. <u>Incurred Liabilities</u>									
Claims (limited incurred)	3,173,229	6,886,552	5,637,500		425,599				16,122,880
Expenses	10,074,458	5,879,140	3,245,552	639,334			5,844,998		25,683,482
Total Liabilities	13,247,687	12,765,692	8,883,052	639,334	425,599		5,844,998		41,806,362
3. <u>Underwriting Surplus/(Deficit)</u>	838,535	498,697	1,814,506	1,041,223	(203,992)	1,290,771	228,174		5,507,914
4. <u>Adjustments</u>									
Investment Income		62,005	59,555	13,677	2,425	4,405	13,375		155,442
Transfers									
Total Adjustments		62,005	59,555	13,677	2,425	4,405	13,375		155,442
5. <u>Gross Operating Surplus</u>	838,535	560,702	1,874,061	1,054,900	(201,567)	1,295,176	241,549		5,663,356
6. <u>Return of Surplus</u>									
7. <u>Net Current Surplus</u>	\$ 838,535	\$ 560,702	\$ 1,874,061	\$ 1,054,900	\$ (201,567)	\$ 1,295,176	\$ 241,549	\$	\$ 5,663,356

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2016  
DECEMBER 31, 2019  
(Unaudited)

	<u>Coverages</u>				
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	<u>Total</u>
Paid Claims	\$ 3,868,264	\$ 6,176,801	\$ 531,864	\$ 221,441	\$ 10,798,370
Case Reserves	2	940,587	3,119,276	11,000	4,070,865
IBNR Reserve		3,124,164	2,019,065		5,143,229
Subtotal	<u>3,868,266</u>	<u>10,241,552</u>	<u>5,670,205</u>	<u>232,441</u>	<u>20,012,464</u>
Excess Insurance					
Received		33,144	75,207		108,351
Receivable					
Recoverable					
Subtotal		<u>33,144</u>	<u>75,207</u>		<u>108,351</u>
Incurred Claims	<u>3,868,266</u>	<u>10,208,408</u>	<u>5,594,998</u>	<u>232,441</u>	<u>\$ 19,904,113</u>
Number of Claims	136	321	157	4	
Cost/Claim	<u>\$ 28,443</u>	<u>\$ 31,802</u>	<u>\$ 35,637</u>	<u>\$ 58,110</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2017  
DECEMBER 31, 2019  
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 2,390,181	\$ 631,121	\$ 1,178,477		\$ 4,199,779
Case Reserves	(36,253)	525,000	3,572,575		4,061,322
IBNR Reserve		4,273,573	2,203,313		6,476,886
Subtotal	<u>2,353,928</u>	<u>5,429,694</u>	<u>6,954,365</u>		<u>14,737,987</u>
Excess Insurance					
Received					
Receivable					
Recoverable					
Subtotal					
Incurred Claims	<u>2,353,928</u>	<u>5,429,694</u>	<u>6,954,365</u>		<u>\$ 14,737,987</u>
Number of Claims	61	359	122	4	
Cost/Claim	<u>\$ 38,589</u>	<u>\$ 15,124</u>	<u>\$ 57,003</u>	<u>\$ -0-</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2019  
(Unaudited)

	<u>Coverages</u>				
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	<u>Total</u>
Paid Claims	\$ 4,247,117	\$ 1,310,391	\$ 633,827		\$ 6,191,335
Case Reserves	1,012,686		1,203,281	\$ 330,000	2,545,967
IBNR Reserve	(30,300)	6,014,418	3,370,518		9,354,636
Subtotal	<u>5,229,503</u>	<u>7,324,809</u>	<u>5,207,626</u>	<u>330,000</u>	<u>18,091,938</u>
Excess Insurance					
Received					
Receivable		16,476			16,476
Recoverable	989,875				989,875
Subtotal	<u>989,875</u>	<u>16,476</u>			<u>1,006,351</u>
Incurred Claims	<u>4,239,628</u>	<u>7,308,333</u>	<u>5,207,626</u>	<u>330,000</u>	<u>\$ 17,085,587</u>
Number of Claims	188	335	96	1	
Cost/Claim	<u>\$ 22,551</u>	<u>\$ 21,816</u>	<u>\$ 54,246</u>	<u>\$ 330,000</u>	

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2019  
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 2,519,536			\$ 315,132	\$ 2,834,668
Case Reserves	2,163,645		\$ 956,875	110,467	3,230,987
IBNR Reserve	1,000	\$ 6,886,552	4,680,625		11,568,177
Subtotal	<u>4,684,181</u>	<u>6,886,552</u>	<u>5,637,500</u>	<u>425,599</u>	<u>17,633,832</u>
Excess Insurance					
Received					
Receivable					
Recoverable	<u>1,510,952</u>				<u>1,510,952</u>
Subtotal	<u>1,510,952</u>				<u>1,510,952</u>
Incurred Claims	<u>3,173,229</u>	<u>6,886,552</u>	<u>5,637,500</u>	<u>425,599</u>	<u>\$ 16,122,880</u>
Number of Claims	118	189	39	2	
Cost/Claim	<u>\$ 26,892</u>	<u>\$ 36,437</u>	<u>\$ 144,551</u>	<u>\$ 212,800</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR EXPENSE ANALYSIS  
FUND YEAR - 2016  
DECEMBER 31, 2019  
(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	<u>515,000</u>		<u>515,000</u>
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, 2019  
(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	1,147,404		1,147,404
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>5,457,484</u>		<u>5,457,484</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>\$ 26,254,644</u>	<u>\$ -0-</u>	<u>\$ 26,254,644</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR EXPENSE ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2019  
(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	1,168,601		1,168,601
Safety and Education	338,188		338,188
Administration	1,310,847		1,310,847
Actuary	50,116		50,116
Attorney	61,505		61,505
Auditor	28,863		28,863
Treasurer	25,161		25,161
Other Consultants	1,481,860		1,481,860
Reinsurance Manager	305,484		305,484
Internal Audit	4,000		4,000
Brokerage Expense	529,014		529,014
Non-Contracted Expenses	267,345		267,345
Risk Management Consultant	206,420		206,420
Subtotal Administrative	<u>5,777,404</u>		<u>5,777,404</u>
3. <u>Worker's Compensation</u>			
Managed Care	<u>525,300</u>		<u>525,300</u>
Subtotal Worker's Compensation	<u>525,300</u>		<u>525,300</u>
4. <u>Liability</u>			
EPL Credits	<u>350,844</u>		<u>350,844</u>
Subtotal Liability	<u>350,844</u>		<u>350,844</u>
Total Expenses = 1+2+3+4	<u>\$ 27,571,186</u>	<u>\$ -0-</u>	<u>\$ 27,571,186</u>

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR EXPENSE ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2019  
(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 10,074,458		\$ 10,074,458
Liability	5,551,282		5,551,282
Worker's Compensation	2,709,746		2,709,746
Public Officials'/Employment Practice	639,334		639,334
Subtotal Excess	<u>18,974,820</u>		<u>18,974,820</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,139,584	\$ 53,003	1,192,587
Safety and Education	1,372,327	1,668	1,373,995
Administration	1,335,453	846	1,336,299
Actuary	51,118		51,118
Attorney	17,134	42,065	59,199
Auditor		29,441	29,441
Treasurer	25,664		25,664
Reinsurance Manager	311,593		311,593
Other Consultants	339,640	28,402	368,042
Internal Audit	39,328	20,865	60,193
Brokerage Expense	539,594		539,594
Non-Contracted Expenses	285,270		285,270
Risk Management Consultant	208,610	3,393	212,003
Subtotal Administrative	<u>5,665,315</u>	<u>179,683</u>	<u>5,844,998</u>
3. <u>Worker's Compensation</u>			
Managed Care	533,179	2,627	535,806
Subtotal Worker's Compensation	<u>533,179</u>	<u>2,627</u>	<u>535,806</u>
4. <u>Liability</u>			
EPL Credits	327,858		327,858
Subtotal Liability	<u>327,858</u>		<u>327,858</u>
Total Expenses = 1+2+3+4	<u>\$ 25,501,172</u>	<u>\$ 182,310</u>	<u>\$ 25,683,482</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
PROGRAM SUMMARY  
FUND YEAR - 2019  
DECEMBER 31, 2019  
 (Unaudited)  
COVERAGES

	Liability	Workers' 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.	Gov. A - Statutory Gov. 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 \$2,000,000	\$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)	Underwriters at Lloyd's of London (Brit) \$2,000,000. Coverage is on a pro-rate basis, with 80% Brit and 20% MEL. Munich Re offers optional limits up to \$15,000,000 excess of \$5,000,000 Chubb provides a per member option for a shared aggregate limit of \$10,000,000 excess of \$20,000,000 (if member JIF extends)	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	Underwriters at Lloyd's of London (Brit) provides optional excess liability reinsurance to the Municipal Excess Liability Joint Insurance on a pro-rata basis 80% Brit/20% MEL)
4. Number of Participants	19	19	19	19	18
5. Incurred Liabilities	\$12,765,692	\$8,883,052	\$13,247,687	\$425,599	\$639,334
6. Exposure Units (population or students) (A)	5,444,339 Population	3,162,926,354 Payroll	13,908,866,527 Property Value	35,559 Full time Employees	5,444,339 Population
7. Liabilities/Unit	\$2.70	\$0.01	\$0.01	\$11.97	\$4.05

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF CASH AND INVESTMENTS  
DECEMBER 31, 2019  
(Unaudited)

<u>Bank</u>	<u>Account Description</u>	<u>Amount</u>
Investors Bank-Claims-QL	Claims	\$ 79,993
Investors Bank-Claims-CB	Claims	470,500
Investors Bank-Claims-York	Claims	225,997
Money Market	Money Market	36,199
US Treasury Notes	Investment	22,244,964
US Treasury Bills	Short Term Investments	1,494,184
New Jersey Cash Management Fund	Cash Management	25,328,318
Republic Bank	Short Term Investments	4,509,786
Investors Savings	Checking	15,108,188
		<u>69,498,129</u>
Add: Deposit in Transit		95,604
Less: Outstanding Checks		<u>1,208,393</u>
		<u><u>\$ 68,385,340</u></u>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE  
DECEMBER 31, 2019  
(Unaudited)

Amount Due From Reinsurance Company:

Fund Year - MEL - Aggregate Excess Loss Fund Contingency	\$ 265,873
Fund Year 2018	<u>16,476</u>
	<u><u>\$ 282,349</u></u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF ASSESSMENTS RECEIVABLE  
DECEMBER 31, 2019  
(Unaudited)

Fund Year 2019	<u>\$ 3,769,697</u>
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ANALYSIS OF OTHER RECEIVABLES  
DECEMBER 31, 2019  
(Unaudited)

Accrued Interest Receivable	\$ 80,971
Refund Receivables	18,309
Notes Receivable Township of Fairfield	213,750
Notes Receivable Borough of Bogota	1,200,000
Notes Receivable Township of Belleville	165,033
Notes Receivable Borough of Maywood	<u>540,000</u>
	<u>\$ 2,218,063</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF PREPAID EXPENSES  
DECEMBER 31, 2019  
(Unaudited)

Fund Year 2019:

General and Administrative

\$ 69,909

ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE  
DECEMBER 31, 2019  
(Unaudited)

Fund Year 2019:

Claims Administration

\$ 53,003

Administration

846

Safety and Education

1,668

Attorney

42,065

External Auditor

29,441

Other Consultants

28,402

Risk Management Consultant

3,393

Managed Care

2,627

Internal Audit

20,865

\$ 182,310

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF MISCELLANEOUS LIABILITIES  
DECEMBER 31, 2019  
(Unaudited)

Fund Year - MEL - Aggregate Excess Loss Fund Contingency:  
Due to Municipal Excess Liability Residual Claims Fund

\$ 12,190,987

**REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS**

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated May 15, 2020.

**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  
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### **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  
May 15, 2020

*Nisivoccia 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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-Type Activities										
Unrestricted	\$ 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	\$ 26,272,636
Total Business-Type Activities Net Position	\$ 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	\$ 26,272,636

Source - Insurance Fund Financial Records.

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenue:</b>										
Assessments from Participating Members	\$ 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	\$ 47,310,501
Other Income	655,152	1,692,466	618,953	(121,095)	352,718	324,193	597,183	371,100	927,981	1,754,444
Investment Income	(59,956)	(223,077)	(183,932)	1,171,808	(2,071,522)	1,248,544	4,794,438	94,118	(824,443)	668,349
Change in Investment in Joint Venture										
Total Revenue	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	49,733,294
<b>Expenses:</b>										
Provision for Claims and Claim Adjustment Expense	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	13,346,801
Assessment for Participation in Municipal Excess Liability Residual Claims Fund	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	12,190,987
Insurance Premiums	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	18,974,820
Claims Administration	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	1,193,587
Other Contractual Services	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	2,815,051
Non-Contractual Expenses	100,833	75,844	87,923	107,039	207,089	269,856	193,597	240,292	279,776	285,270
Administration	899,276	901,582	918,536	935,607	954,319	1,016,726	1,124,916	1,147,468	1,317,570	1,336,443
EPL Credits									350,844	327,608
Insurance Brokerage Expense	460,538	460,538	469,749	479,144	488,727	498,502	508,472	518,641	529,014	539,594
Risk Management Fees	430,169	340,001	346,429	337,244	337,833	332,003	336,323	342,473	192,946	212,003
Total Expenses	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	51,222,164
Change in Net Position	\$ (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)	\$ (1,488,870)

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, 2019  
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total number of members	19	19	19	19	19	19	19	19	19	19
Total employees	39,942	37,425	35,826	35,342	34,651	34,273	34,072	34,552	33,891	35,559
Total annual payrolls	\$ 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	\$ 3,162,926,354
Total member assessments	\$ 57,150,605	\$ 43,750,392	\$ 43,242,670	\$ 43,305,703	\$ 44,583,334	\$ 45,565,058	\$ 43,405,565	\$ 44,505,992	\$ 44,099,209	\$ 47,314,276
Total number of claims	1,057	566	730	485	548	660	618	546	620	348
Total reported losses	\$ 27,309,013	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 14,760,884	\$ 8,261,101	\$ 7,730,951	\$ 4,554,703

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, 2019  
(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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Property	\$ 1,573,788	\$ 2,750,317	\$ 2,867,601	\$ 2,015,047	\$ 3,241,842	\$ 2,446,654	\$ 3,868,266	\$ 2,353,928	\$ 4,269,928	\$ 3,172,229
Liability	7,294,066	4,668,810	6,204,320	1,956,876	4,099,517	6,363,630	7,084,244	1,156,121	1,293,915	
Workers' Compensation	5,282,356	6,381,177	3,390,024	4,605,555	2,511,948	5,367,558	3,575,933	4,751,052	1,837,108	956,875
Faithful Performance Bond	324,956		8,034	770,714	16,344		232,441		330,000	425,599
Public Officials' Liability	12,833,847	135,254			389					
Total	\$ 27,309,013	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 14,760,884	\$ 8,261,101	\$ 7,730,951	\$ 4,554,703
Total number of claims	1,057	566	730	485	548	660	618	546	620	348
Average cost per claim	\$ 25,836	\$ 24,621	\$ 17,082	\$ 19,275	\$ 18,011	\$ 21,482	\$ 23,885	\$ 15,130	\$ 12,469	\$ 13,088

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, 2019  
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Property	40	91	217	43	70	116	136	61	188	118
Liability	371	300	332	278	332	365	321	359	335	189
Workers' Compensation	184	170	180	159	143	179	157	122	96	39
Faithful Performance Bond	3		1	5	2		4	4	1	2
Public Officials' Liability	459	5			1					
Total	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>548</u>	<u>660</u>	<u>618</u>	<u>546</u>	<u>620</u>	<u>348</u>
Claims settled in full	870	468	607	394	457	555	520	401	433	189
Claims pending	187	98	123	91	91	105	98	145	187	159
Total	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>548</u>	<u>660</u>	<u>618</u>	<u>546</u>	<u>620</u>	<u>348</u>

Source - Joint Insurance Fund - Third Party Claims Administrator