

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

Comprehensive Annual Financial Report  
For the Years Ended December 31, 2020 and 2019

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
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**INTRODUCTORY SECTION**



## **Municipal Excess Liability Joint Insurance Fund**

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

April 30, 2021

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, 2020 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 March, the state and country were hit with the Covid 19 pandemic. The MEL formed a Special Ad-hoc Committee and engaged Special Counsel to help guide the MEL through the handling of work-related Covid 19 claims. A Special Master was also appointed to resolve disputes.

The MEL worked for several years taking the necessary steps, including supporting legislation, to create a Joint Cash Management & Investment Program (JCMI) modifying *Permissible Investments*. As a result of that sustained effort, the MEL was able to move quickly on the final steps putting it in a position to purchase members' debt just as the impact of the pandemic negatively affected the municipal bond market – which helped stabilize the municipal bond market. At the end of 2020, 12 affiliated Joint Insurance Funds moved to participate in the JCMI and more are expected in 2021.

The MEL Board of Fund Commissioners also acted early in adopting its 2021 budget and rate table to assist local member JIFs in planning their budgets given the uncertainty of the impact of Covid 19 on local JIF and member budgets. The MEL Executive Director and Underwriting Manager then directed their focus on methods to control the MEL's costs – including analyzing the cost of increasing its retention and exploring the formation of a captive.

The MEL's Safety Director took the early lead in working with the Marketing Manager to establish a section of the MEL's webpage to organize a broad range of information concerning the pandemic. The MEL's Safety Director also mobilized very quickly to arrange for added online and streaming training courses to keep member focus on safety. Most significantly, the Safety Director developed a program to deliver “instructor-led” virtual seminars that helped members continue with the training that can only be met by live training – and they were able to secure continuing education credits for this type of training. By year end, more employees received safety training than prior years.

In mid-2020, the MEL released a complete revision of its Model Personnel Manual and Employee Handbooks and began the process of employment practices compliance training, delivering it in some cases combined with “Protecting Children From Abuse” training. Given the breadth of changes to the model documents, member were given an extended period of time to update their Employment Practices Compliance (EPL) Program.

During 2020, the MEL's Cyber Task Force reviewed elements of the MEL's Cyber Risk Control program to identify areas of growing risk. This review resulted in an expansion of items to the program at the same time, removing items that did not prove necessary.

The MEL Executive Director worked with various Fund Commissioners and Fund Professionals to draft a Risk Management Manual, providing the fundamentals of the JIF and MEL Program and risk management. The manual has now been distributed to all members and posted to the MEL webpage.

## **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 Joint Cash Management and Investment program (the "JCMI") was formulated under P.L. 2018 Chapter 40 of the New Jersey Statutes which allowed Joint Insurance Funds to pool their funds and broaden the investments that they are permitted to use. The law provides conservative restrictions as to these investments. Specifically, the investment must be purchased at fair market value, guaranteed as interest and principal, and must have a credit rating of A3 or higher by Moody's Investor Service, or an A- or higher by Standard and Poors Corporation. The maturity cannot be greater than 20 years. In addition, only 50% of the investment portfolio may be comprised of such long-term investments, without prior approval of the New Jersey Department of Community Affairs.

As of December 31, 2020, the MEL's portfolio consisted of the following:

	Amount	Percentage of Total
Checking Accounts/Money Market	\$ 22,369,142	32.10%
New Jersey Cash Management	41,462	0.06%
JCMI	47,272,171	67.84%
	<u>\$ 69,682,775</u>	<u>100.00%</u>

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



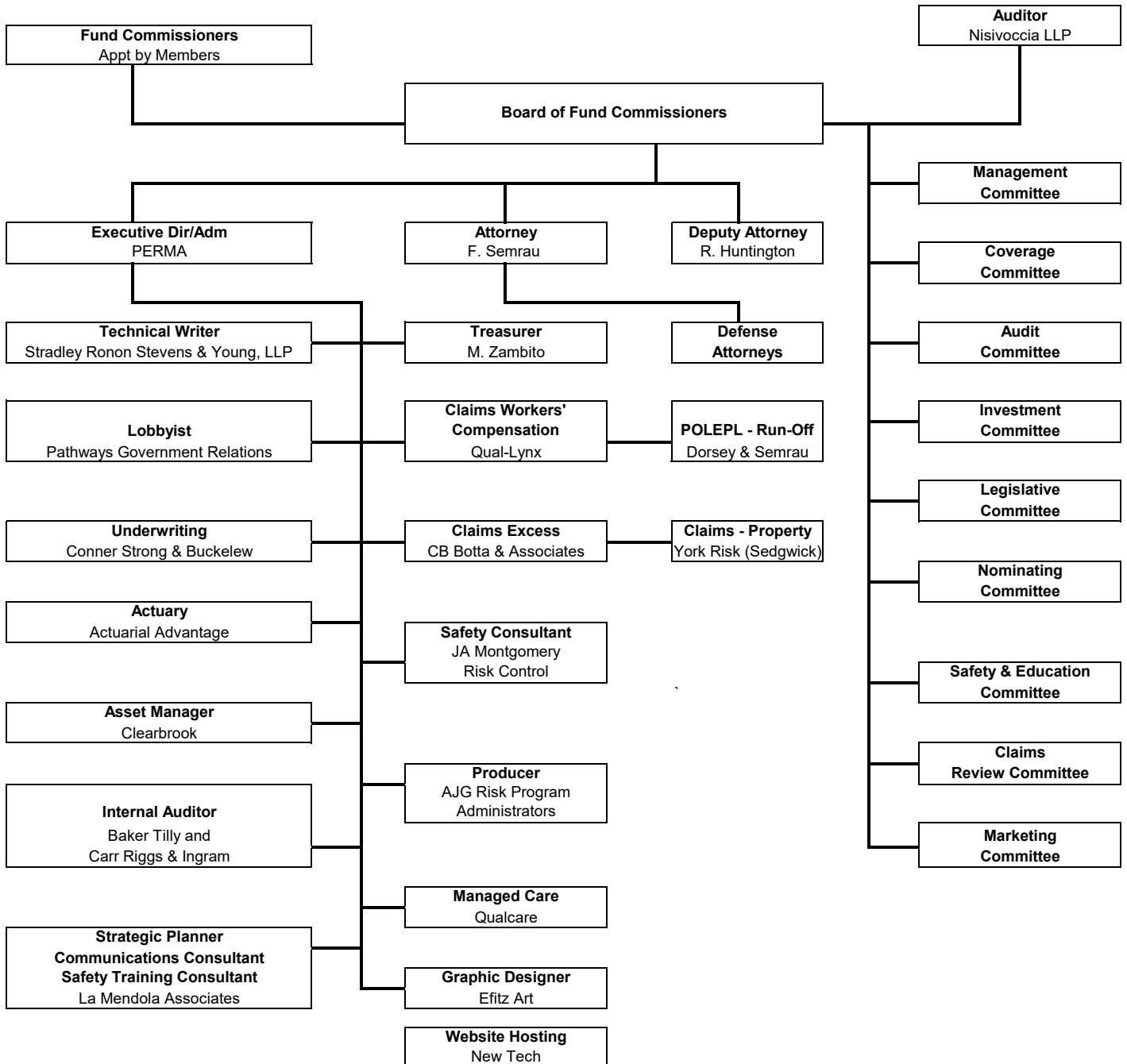
MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
ROSTER OF OFFICIALS AND CONSULTANTS  
DECEMBER 31, 2020

Thomas Merchel	Fund Chairman
Joy Tozzi	Fund Secretary
Richard Hirsch	Fund Commissioner
Joseph Catenaro	Fund Commissioner
Jon Rheinhardt	Fund Commissioner
Thomas Nolan	Fund Commissioner
Joseph Wolk	Fund Commissioner
Meghan Jack	Fund Commissioner
Megan Champnee	Fund Commissioner
Veronica Laureigh	Fund Commissioner
Paul Tomasko	Fund Commissioner
Charles Cuccia	Fund Commissioner
Bernard Rutkowski	Fund Commissioner
Joseph D'Arco	Fund Commissioner
Robert Law	Fund Commissioner
John Clarke	Fund Commissioner
Cynthia Ege	Fund Commissioner
Steven Scholey	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 (Sedgwick)	Claims Administrators – Excess Property
Qual-Lynx	Claims Administrators - Worker's Compensation
Qualcare	Managed Care Provider
Conner Strong & Buckelew	Underwriting Manager
AJG Risk Program Administrators	Producer
Baker Tilly	Internal Auditor – Insurance Component
Carr Riggs & Ingram	Internal Auditor – Financial Component
Clearbrook	Asset Manager
Pathways Governmental Relations LLC	Lobbyist

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
ROSTER OF OFFICIALS AND CONSULTANTS  
DECEMBER 31, 2020

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
Princeton Strategic Communications	Marketing Manager
Acrisure	Marketing Consultant
EFitz Art	Graphic Designer
New Tech	Website – Monthly Hosting
Learning Management System	FirstNet
Risk Management & Information System	Origami

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
2020 ORGANIZATIONAL CHART



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
MEMBERSHIP LISTING  
AS OF DECEMBER 31, 2020

Atlantic County Municipal Joint Insurance Fund (41 Municipalities)

Bergen County Municipal Joint Insurance Fund (38 Municipalities)

Burlington County Municipal Joint Insurance Fund (28 Municipalities)

Camden County Municipal Joint Insurance Fund (37 Members)

Central Jersey Joint Insurance Fund (12 Municipalities)

Gloucester/Salem/Cumberland Counties Municipalities Joint Insurance Fund (38 Municipalities)

Mid Jersey Municipal Joint Insurance Fund (12 Municipalities)

Monmouth Municipal Joint Insurance Fund (41 Municipalities)

Morris County Municipal Joint Insurance Fund (45 Municipalities)

New Jersey First Responders Joint Insurance Fund (37 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 (72 Authorities)

Ocean County Municipal Joint Insurance Fund (31 Municipalities)

Professional Municipal Management Joint Insurance Fund (4 Municipalities)

Public Alliance Insurance Coverage Fund (22 Municipalities and 1 County)

South Bergen Municipal Joint Insurance Fund (23 Municipalities)

Suburban Metro Municipal Joint Insurance Fund (formerly Suburban Essex) - (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, 2020 and 2019, 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, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021 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  
April 30, 2021

*Nisiuoccia 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, 2020 and 2019. 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, 2020, 2019 and 2018.

<u>SUMMARY OF STATEMENT OF NET POSITION</u>	<u>2020</u>	<u>2019</u>	<u>19-20 Percent Change</u>	<u>2018</u>	<u>18-19 Percent Change</u>
<b>ASSETS:</b>					
Cash,Cash Equivalents, Investments	\$ 69,682,775	\$ 68,385,340	1.90%	\$ 62,756,341	8.97%
Assessments Receivable	5,615,920	3,769,697	48.98%	5,962,031	-36.77%
Investment in Joint Venture	5,963,912	5,569,104	7.09%	4,900,755	13.64%
Other Assets	4,338,537	2,570,321	68.79%	2,892,813	-11.15%
<b>Total</b>	<u>85,601,144</u>	<u>80,294,462</u>	6.61%	<u>76,511,940</u>	4.94%
<b>LIABILITIES:</b>					
Loss Reserves	57,156,056	41,648,529	37.23%	40,777,680	2.14%
Other Liabilities	12,193,431	12,373,297	-1.45%	7,972,754	55.19%
<b>Total</b>	<u>69,349,487</u>	<u>54,021,826</u>	28.37%	<u>48,750,434</u>	10.81%
<b>NET POSITION</b>	<u>\$ 16,251,657</u>	<u>\$ 26,272,636</u>	-38.14%	<u>\$ 27,761,506</u>	-5.36%

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

	2020	2019	19-20 Percent Change	2018	18-19 Percent Change
Operating Revenue:					
Assessments and Other Income	\$ 51,144,687	\$ 47,310,501	8.10%	\$ 44,109,647	7.26%
Operating Expenses:					
Provision for Claims & Claims Expense	23,875,263	13,346,801	78.88%	11,543,780	15.62%
Assessment for Participation in RCF	11,949,635	12,190,987	-1.98%	7,811,361	56.07%
Insurance Premiums	19,697,503	18,974,820	3.81%	20,926,903	-9.33%
Administrative and Operating Expenses	7,000,969	6,709,556	4.34%	6,958,330	-3.58%
Total Operating Expenses	62,523,370	51,222,164	22.06%	47,240,374	8.43%
Operating Income/(Loss)	(11,378,683)	(3,911,663)	-190.89%	(3,130,727)	-24.94%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	394,808	668,349	-40.93%	(824,443)	181.07%
Investment Income	962,896	1,754,444	-45.12%	927,981	89.06%
Increase/(Decrease) in Net Position	\$ (10,020,979)	\$ (1,488,870)	-573.06%	\$ (3,027,189)	50.82%

The Fund's asset base increased by 6.61% during the reporting period and cash and investments increased by 1.90%. 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 7.09% reflecting an increase in equity retained by that entity.

The Fund's liabilities increased by 28.37% due to a 37.23% increase in Loss Reserves primarily due to the impact of the COVID 19 pandemic on workers' compensation, recent changes in the statute of limitations for sexual molestation law suits and recent changes in the firefighters cancer workers' compensation presumption law.

For 2020 assessments increased 8.10%. The provision for claims and claims expense increased by 78.88%. Insurance premiums increased by 3.81%, and administrative and operating expenses also increased by 4.34%. Investment income decreased by 45.12% due to a low interest rate environment. For 2020, 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 \$16,251,657 in 2020 compared to \$26,272,636 at the end of 2019; a decrease of 38.14%. Net position values for both reporting periods include the cumulative effect of the discounting of loss reserves.

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.

**BASIC FINANCIAL STATEMENTS**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATEMENT OF NET POSITION

	December 31	
	2020	2019
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 69,682,775	\$ 46,140,376
Investments		22,244,964
Assessments Receivable	5,615,920	3,769,697
Accounts Receivable	56,863	18,309
Notes Receivable	507,587	297,587
Accrued Interest Receivable		80,971
Insurance Receivables	185,186	282,349
Excess Insurance Receivable	1,290,292	
Prepaid Expenses		69,909
Investment in Joint Venture	5,963,912	5,569,104
Total Current Assets	83,302,535	78,473,266
Long-Term Assets:		
Notes Receivable	2,298,609	1,821,196
Total Long-Term Assets	2,298,609	1,821,196
Total Assets	85,601,144	80,294,462
<u>LIABILITIES:</u>		
Loss Reserves	57,156,056	41,648,529
Accounts Payable - Vendors	243,796	182,310
Due to Municipal Excess Liability Residual Claims Fund	11,949,635	12,190,987
Total Liabilities	69,349,487	54,021,826
<u>NET POSITION:</u>		
Unrestricted	16,251,657	26,272,636
Total Net Position	\$ 16,251,657	\$ 26,272,636

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	
	2020	2019
Operating Revenue:		
Assessments from Participating Members	\$ 51,144,687	\$ 47,310,501
Total Operating Revenue	51,144,687	47,310,501
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$15,069,699 and \$1,084,311 for 2020 and 2019, respectively)	23,875,263	13,346,801
Assessment for Participation in Municipal Excess Liability		
Residual Claims Fund	11,949,635	12,190,987
Insurance Premiums	19,697,503	18,974,820
Claims Administration	1,312,707	1,193,587
Other Contractual Services	2,148,997	1,967,652
Non-Contractual Expenses	287,044	285,270
Administration	1,374,469	1,336,443
EPL Credits	254,832	327,608
Insurance Brokerage Expense	550,387	539,594
Managed Care	546,522	535,806
Reinsurance Manager	317,825	311,593
Risk Management Fees	208,186	212,003
Total Operating Expenses	62,523,370	51,222,164
Operating Income/(Loss)	(11,378,683)	(3,911,663)
Non-Operating Income/(Expenses):		
Change in Investment in Joint Venture	394,808	668,349
Investment Income/(Loss)	962,896	1,754,444
Change in Net Position	(10,020,979)	(1,488,870)
Net Position - Beginning of Year	26,272,636	27,761,506
Net Position - End of Year	\$ 16,251,657	\$ 26,272,636

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

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATEMENT OF CASH FLOWS

	Year Ended December 31	
	2020	2019
Cash Flows from Operating Activities:		
Assessments Collected	\$ 49,298,464	\$ 49,502,835
Refunds	4,757,394	5,454,091
Claims Expense	(13,125,130)	(17,930,043)
Professional and Administrative Expenses	(7,595,541)	(6,612,270)
Insurance Premiums	(19,600,340)	(18,780,545)
Municipal Excess Liability Residual Claims Fund	(13,481,279)	(7,811,361)
Net Cash Provided/(Used) by Operating Activities	253,568	3,822,707
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(34,468,363)	(886,107)
Proceeds from Sales and Maturities of Investment Securities	56,967,538	30,123,713
Investment Income	789,656	1,314,484
Net Cash Provided/(Used) by Investing Activities	23,288,831	30,552,090
Net Increase/(Decrease) in Cash and Cash Equivalents	23,542,399	34,374,797
Cash and Cash Equivalents, January 1	46,140,376	11,765,579
Cash and Cash Equivalents, December 31	\$ 69,682,775	\$ 46,140,376
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (11,378,683)	\$ (3,911,663)
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	(1,846,223)	2,192,334
Insurance Receivables	97,163	194,275
Accounts Receivable	(38,554)	(18,309)
Prepaid Expense	69,909	(69,909)
Notes Receivable	(687,413)	164,587
Increase/(Decrease) in Liabilities:		
Loss Reserves	15,507,527	870,849
Accounts Payable	61,486	20,917
Due to Municipal Excess Liability Residual Claims Fund	(241,352)	4,379,626
Net Cash Provided/(Used) by Operating Activities	\$ 253,568	\$ 3,822,707

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, 2020

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, 2020  
(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, 2020  
(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 \$19,697,503 and \$18,974,820 for the years ended December 31, 2020 and 2019, respectively. The amount deducted from claims liabilities for reinsurance was \$16,280,234 and \$2,500,827 at December 31, 2020 and 2019, 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, 2020  
(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, 2020. 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, 2020 and 2019, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2020</u>	<u>2019</u>
Case Reserves	\$ 14,296,072	\$ 9,105,601
Losses Incurred but not Reported	<u>42,859,984</u>	<u>32,542,928</u>
Total Loss Reserves	<u>\$ 57,156,056</u>	<u>\$ 41,648,529</u>

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

	<u>2020</u>	<u>2019</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 41,648,529</u>	<u>\$ 40,777,680</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	26,344,966	15,334,166
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(2,469,703)</u>	<u>(1,987,365)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>23,875,263</u>	<u>13,346,801</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	3,266,005	2,834,668
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>5,101,731</u>	<u>9,641,284</u>
Total Payments	<u>8,367,736</u>	<u>12,475,952</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 57,156,056</u>	<u>\$ 41,648,529</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(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, 2020, \$59,116,234 of unpaid claims and claim adjustment expenses are presented at their net present value of \$57,156,056. These claims are discounted at an annual rate of 1.79%.

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%.

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, 2020  
(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, 2020 and 2019, cash and cash equivalents of the Fund consisted of the following:

	Dec. 31, 2020	Dec. 31, 2019
Checking Accounts	\$ 22,369,142	\$ 20,775,859
Money Market Account		36,199
Cash Management Funds	41,462	25,328,318
JCMI	47,272,171	
	\$ 69,682,775	\$ 46,140,376

The carrying amount of the Fund's cash and cash equivalents as of December 31, 2020 and 2019 were \$69,682,775 and \$46,140,376 respectively. The bank balances as of December 31, 2020 and 2019 were \$69,891,479 and \$47,289,365, respectively. The \$41,462 and \$25,328,318 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered. The \$47,272,171 is invested with BNY Mellon and is uninsured and unregistered.

JOINT CASH MANAGEMENT AND INVESTMENT PROGRAM

The Joint Cash Management and Investment program (the "JCMI") was formulated under P.L. 2018 Chapter 40 of the New Jersey Statutes which allowed Joint Insurance Funds to pool their funds and broaden the investments that they are permitted to use. The law provides conservative restrictions as to these investments. Specifically, the investment must be purchased at fair market value, guaranteed as interest and principal, and must have a credit rating of A3 or higher by Moody's Investor Service, or an A- or higher by Standard and Poors Corporation. The maturity cannot be greater than 20 years. In addition, only 50% of the investment portfolio may be comprised of such long-term investments, without prior approval of the New Jersey Department of Community Affairs.

The JCMI Operating Committee is constituted as follows: Treasurer of the Fund, of the New Jersey Municipal Environmental Risk Management Fund, of the Municipal Excess Liability Residual

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
 (Continued)

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

JOINT CASH MANAGEMENT AND INVESTMENT PROGRAM (Cont'd)

Claims Fund, and one treasurer representing all local participating Joint Insurance Funds plus the Chair of the Fund Investment Committee or its designee from the Investment Committee. The Investment Committee's decisions are made at the recommendation of an experienced and licensed Financial Advisor, Asset Manager, presented to the JCMI Operations Committee for approval; all within the guidelines set forth by the law. The results of the operation will be reported on a "unitized" type basis whereby each participating Fund and their investment will be tracked, charted and reported on a monthly basis. That, too, will be maintained, compensated for, monitored and information provided by the JCMI.

In addition to the monthly reporting, the JCMI will also report as follows:

Quarterly - The Asset Manager will provide the JCMI Operations Committee, the Fund and each participating Joint Insurance Fund with detailed information about the program including asset allocation, investment performance, future investment strategies, and other matters of interest to the JCMI Operations Committee. The Financial Advisor shall provide the JCMI Operations Committee with detailed information about the Municipal Bond Anticipation Notes purchased, the rate purchased and the savings to the issuer based on the cover bid made.

Annually - The Custodian will provide an annual summary of all transactions in each fiscal year, together with a report of investment performance for the year by portfolio, to the JCMI Operations Committee and each participating Joint Insurance Fund. Investment objectives will be reviewed to determine if they are being met.

Below is a listing of the total shares for each Joint Insurance Fund in the JCMI program.

Joint Insurance Fund Participant:

Municipal Excess Liability Joint Insurance Fund	\$ 47,272,171
Municipal Excess Liability Residual Claims Fund	77,153,793
New Jersey Municipal Environmental Risk Management Fund	26,000,484
Morris County Municipal Joint Insurance Fund	27,306,032
South Bergen Municipal Joint Insurance Fund	14,593,267
New Jersey Utility Authorities Joint Insurance Fund	8,072,541
Central Jersey Joint Insurance Fund	8,577,903
Camden County Municipal Joint Insurance Fund	20,193,932
Suburban Metro Municipal Joint Insurance Fund	5,331,121
Bergen County Municipal Joint Insurance Fund	4,721,094
Professional Municipal Management Joint Insurance Fund	4,009,706
Suburban Municipal Joint Insurance Fund	4,670,766
	<u>\$ 247,902,810</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(Continued)

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;
- (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.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

- (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 consisted of the following recurring fair value measurements as Level 1 inputs:

	Balance Dec. 31, 2019	Weighted Average Maturity in Months
United States Treasury Notes	<u>\$ 22,244,964</u>	63.51
	<u>\$ 22,244,964</u>	<u>63.51</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 2018 - Property	\$ 502,122
Fund Year 2018 - Liability	3,122,058
Fund Year 2018 - Faithful Performance Bond	108,185
Fund Year 2019 - Liability	8,150
Fund Year 2019 - Faithful Performance Bond	201,567
Fund Year 2020 - Liability	3,964,815
Fund Year 2020 - Workers Compensation	4,993,749
Fund Year 2020 - Public Officials Employment Practices	150,627

In addition, at December 31, 2020 the Fund had an overall deficit in Fund Years 2018 and 2020 of \$1,329,388 and \$6,034,302 respectively.

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

A resolution was passed on October 16, 2019 by the Board of Fund Commissioners to amend the risk management plan to include the following:

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
 (Continued)

NOTE 6: NET POSITION (Cont'd)

After the end of the year before the Fund has finalized its year end accounting, the Fund's Commissioners shall levy an additional supplementary assessment so that the Fund's statutory surplus for all fund years combined is not less than 12.5% of open reserves.

Under this amendment, a supplementary assessment will be paid over a 10-year period if the statutory surplus falls below the trigger amount. This will fund the MEL to pay long term claims.

For the year ended December 31, 2020, a supplemental assessment of \$2,978,484 was made in accordance with the amended risk management plan.

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. 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 2020, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2016 Fund Year. Loss reserves totaling \$11,949,635 at June 30, 2020, were assumed as of June 30, 2020 in exchange for the Fund's assessment for participation in the Residual Fund of \$11,949,635.

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.

The December 31, 2020 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, 2019 is as follows:



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(Continued)

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

Total Assets	\$ 102,873,503
Net Position	\$ 12,110,198
Total Revenue	\$ 29,006,573
Total Expenses	\$ 27,358,705
Change in Net Position	\$ 1,001,868
Member Dividends	\$ 646,000

The Fund's equity interest in the Residual Fund was \$5,963,912 and \$5,569,104 as of December 31, 2020 and 2019, 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

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.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(Continued)

NOTE 10: NOTES RECEIVABLE (Cont'd)

The Fund entered into another Promissory Note with the Borough of Maywood in 2019. 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.

In July of 2020 the Fund entered into a repayment agreement with the Borough of Rutherford for \$450,000. The municipality will make payments in \$90,000 installments to the Fund starting on January 1, 2021 and terminating on January 1, 2025, together with interest equal to the rate of

interest the MEL is currently receiving on its investments, which fluctuates, but which, at the date of these financial statements is 1.42%.

On December 21, 2020, the Fund entered into a repayment agreement with the Borough of Woodcliff Lake for \$600,000. The municipality will make annual installments to the Fund in the amount of \$120,000 initiating on January 1, 2021 and terminating on January 1, 2025, together with interest equal to the rate of interest the MEL is currently receiving on its investments, which fluctuates, but which, at the date of these financial statements is 1.42%.

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 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 2020, 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

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020  
(Continued)

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

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

While there are many issues that are increasing claims cost for New Jersey public entities, management is confident that the MEL and its affiliated JIFs are in an exceptionally strong position because of decades of conservative financial practices. Management continues to evaluate the impact of the COVID 19 pandemic on workers' compensation and has established a special COVID litigation reserve of \$5.5 million. Workers' compensation claims are also expected to increase because of recent changes in the public employee pension plans that will reduce the plans' contribution in total disability claims. Fortunately, MEL members are experiencing a lower rate of other employee accidents because of improved safety programs. Liability claims are increasing because of the recent change in the statute of limitations for sexual molestation law suits and the reluctance of the New Jersey Court System to grant summary judgements when Title 59 immunities should apply. Management also expects a sharp increase in excess and reinsurance premiums, especially for property insurance and cyber liability insurance. To mitigate these increases, the MEL is planning a rate adjustment beginning 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Property		Liability		Faithful Performance Bond		Worker's Compensation		Public Officials/ Employment Practices		Totals	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Unpaid claims and claim adjustment expenses at beginning 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
Incurrd claims and claim adjustment expenses:												
Provision for insured events of the current period	3,973,933	3,167,600	10,945,207	6,546,988	54,993	424,648	10,183,829	5,194,930	1,187,004		26,344,966	15,334,166
Increases/(decreases) in provision for insured events of prior years	(803,626)	1,108,337	534,609	(547,215)	135,644	(16,621)	(2,375,801)	(2,531,866)	39,471		(2,469,703)	(1,987,365)
Total incurred claims and claim adjustment expenses	3,170,307	4,275,937	11,479,816	5,999,773	190,637	408,027	7,808,028	2,663,064	1,226,475		23,875,263	13,346,801
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current period	3,061,012	2,519,536			52,077	315,132	152,916				3,266,005	2,834,668
Claims and claim adjustment expenses attributable to insured events of the current period	764,287	1,489,399	1,920,713	6,892,210	191,968	(14,849)	2,224,763	1,274,524			5,101,731	9,641,284
Total payments	3,825,299	4,008,935	1,920,713	6,892,210	244,045	300,283	2,377,679	1,274,524			8,367,736	12,475,952
Unpaid claims and claim adjustment expenses at end of year	\$ (741,546)	\$ (86,554)	\$ 29,067,234	\$ 19,508,131	\$ 384,343	\$ 437,751	\$ 21,017,501	\$ 15,587,152	\$ 7,428,524	\$ 6,202,049	\$ 57,156,056	\$ 41,648,529

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

Fiscal Period Ended December 31, 2020 and Policy Period Ended December 31,

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Required contribution and investment revenue:										
Earned	\$ 44,036,278	\$ 43,550,580	\$ 43,558,176	\$ 44,892,042	\$ 45,952,529	\$ 43,909,018	\$ 45,288,112	\$ 44,720,614	\$ 47,690,289	\$ 48,215,056
Ceded	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	19,697,503
	28,109,592	27,496,276	26,929,609	25,975,091	26,167,524	23,914,686	25,339,521	23,802,976	28,715,469	28,517,553
Unallocated expenses	5,021,589	6,940,716	6,306,053	5,463,777	5,688,731	5,759,865	6,306,053	6,654,986	6,767,477	6,940,716
Estimated claims and expenses, end of policy year:										
Incurred	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	41,746,222
Ceded	2,652,457	10,953,464			1,517,755	274,112	37,544	1,183,686	1,510,952	15,401,256
Net Incurred	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	26,344,966
Paid (cumulative) as of:										
End of policy year	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	3,266,005
One year later	2,730,660	3,494,160	2,004,303	3,193,210	4,915,572	5,700,905	3,145,885	6,174,859	5,045,367	
Two years later	3,509,534	3,661,571	3,011,985	3,270,026	5,359,519	7,106,871	4,199,779	6,679,857		
Three years later	6,173,844	6,903,479	4,977,992	4,150,705	9,995,188	10,690,019	4,982,816			
Four years later	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718	12,293,016				
Five years later	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718					
Six years later	7,396,289	9,156,994	5,166,389	7,777,172						
Seven years later	7,396,289	9,156,994	5,166,389							
Eight years later	7,396,289	9,156,994								
Nine years later	7,396,289									
Reestimated ceded claims and expenses	28,181,181	28,380,548	28,380,548	28,380,548	28,380,548	28,488,899		1,439,510	746,236	15,401,256
Reestimated incurred claims and expense:										
End of policy year	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	26,344,966
One year later	15,622,139	15,662,386	15,616,435	16,322,145	16,500,405	17,375,790	12,902,178	16,519,142	17,747,025	
Two years later	16,176,988	15,870,592	16,626,074	14,058,530	16,535,077	18,680,599	14,206,403	19,151,500		
Three years later	18,892,599	18,485,509	14,477,179	13,680,665	17,768,894	19,488,140	13,886,607			
Four years later	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718	12,293,016				
Five years later	7,396,289	9,156,994	5,166,389	7,777,172	11,584,718					
Six years later	7,396,289	9,156,994	5,166,389	7,777,172						
Seven years later	7,396,289	9,156,994	5,166,389							
Eight years later	7,396,289	9,156,994								
Nine years later	7,396,289									
Increase/(decrease) in estimated incurred claims and expense from end of policy year	\$ (10,432,772)	\$ (7,769,892)	\$ (9,828,780)	\$ (9,187,466)	\$ (5,767,687)	\$ (2,202,548)	\$ 1,458,979	\$ 4,717,403	\$ 2,412,859	\$ -0-

**COMBINING SUPPLEMENTARY SCHEDULES**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2020

	Fund Year					Total
	2017	2018	2019	2020		
<u>ASSETS</u>						
MEL						
Aggregate Excess Loss Fund Contingency			MEL Surplus Trigger			
Cash and Cash Equivalents	\$ 12,777,081	\$ 14,050,651	\$ 10,393,572	\$ 15,592,844	\$ 69,682,775	
Assessments Receivable		\$ 2,978,484		2,637,436	5,615,920	
Accounts Receivable	56,863				56,863	
Notes Receivable	507,587				507,587	
Insurance Receivables	142,571		42,615		185,186	
Excess Insurance Receivable Investment in Joint Venture	5,963,912		975,000	315,292	1,290,292	
Total Current Assets	19,448,014	14,050,651	11,368,572	18,545,572	83,302,535	
Long Term Assets:						
Notes Receivable	2,298,609				2,298,609	
Total Long-Term Assets	2,298,609				2,298,609	
Total Assets	21,746,623	14,050,651	11,368,572	18,545,572	85,601,144	
<u>LIABILITIES</u>						
Loss Reserves						
Accounts Payable		8,903,791	12,471,647	23,078,958	57,156,056	
Due to Municipal Excess Liability Residual Claims Fund			438	234,740	243,796	
Total Liabilities		8,903,791	12,472,085	23,313,698	11,949,635	
<u>NET POSITION</u>						
Unrestricted/(Deficit)	9,796,988	5,146,860	(1,103,513)	(4,768,126)	16,251,657	
Total Net Position/(Deficit)	\$ 9,796,988	\$ 5,146,860	\$ (1,103,513)	\$ (4,768,126)	\$ 16,251,657	



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fund Year					Total
	2017	2018	2019	2020	2020	
MEL						
Aggregate Excess Loss Fund Contingency	\$ 2,978,484			\$ 48,166,203	\$ 51,144,687	
				48,166,203	51,144,687	
Operating Revenue:						
Assessments from Participating Members		\$ (319,795)	\$ 2,412,862	\$ 26,344,963		
Total Operating Revenue						
Operating Expenses:						
Provision for Claims and Claim Adjustment Expense	\$ (7,195,127)					
Assessment for Participation in Municipal Excess Liability Residual Claims Fund	11,949,635					
Insurance Premiums				19,697,503	11,949,635	
Claims Administration			39,423	1,273,284	19,697,503	
Other Contractual Services			(5,613)	2,154,610	1,312,707	
Non-Contractual Expenses			15,000	272,044	2,148,997	
Administration		1,438		1,363,026	287,044	
EPL Credits				254,832	1,374,469	
Insurance Brokerage Expense				550,387	254,832	
Managed Care				546,522	550,387	
Reinsurance Manager				317,825	546,522	
Risk Management Fees				208,186	317,825	
Total Operating Expenses	4,754,508	2,633,798	2,471,677	52,983,182	62,523,370	
Operating Income/(Loss)	(4,754,508)	(2,633,798)	(2,471,677)	(4,816,979)	(11,378,683)	
Non-Operating Income/(Expenses):						
Change in Investment in Joint Venture	394,808				394,808	
Investment Income/(Loss)	357,431	156,889	220,571	48,853	962,896	
Change in Net Position	(4,002,269)	(2,476,909)	(2,251,106)	(4,768,126)	(10,020,979)	
Net Position - Beginning of Year	13,799,257	1,373,396	6,452,070		26,272,636	
Net Position/(Deficit) - End of Year	\$ 9,796,988	\$ (1,103,513)	\$ 4,200,964	\$ (4,768,126)	\$ 16,251,657	

**SUPPLEMENTARY DATA**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDHISTORICAL OPERATING RESULTS ANALYSISALL FUND YEARSDECEMBER 31, 2020

(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	1,099,587,541	
Supplemental Contributions		862,606	
Other Income (except investments)		187,207	
Total Income			\$ 1,100,637,354
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		325,069,413	
Case Reserves		32,536,484	
IBNR Reserve		42,859,984	
Subtotal			\$ 400,465,881
Less Excess Insurance:			
Received		28,362,804	
Receivable		1,432,863	
Recoverable		16,280,234	
Subtotal			46,075,901
Limited Incurred Claims (claims-excess)			354,389,980
<u>Expenses:</u>			
Excess Insurance Premiums		624,602,171	
Administrative		124,024,297	
Worker's Compensation		5,946,731	
Property Grant		270,408	
EPL Credits		1,256,803	
Subtotal Expenses			756,100,410
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			1,110,490,390
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(9,853,036)
4. <u>Investment Income (Earned)</u>			62,446,190
4a <u>Transfer</u>			
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			52,593,154
6. <u>Return of Surplus:</u>			
Paid		44,265,586	
Authorized and Unpaid			
Subtotal Return of Surplus			44,265,586
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 8,327,568

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
HISTORICAL BALANCE SHEET  
ALL FUND YEARS  
DECEMBER 31, 2020  
(Unaudited)

1. Assets:

Cash and Investments (1)	\$ 69,682,775		
		\$ 69,682,775	
<u>Receivables (1):</u>			
Excess Insurance	1,290,292		
Assessments	5,615,920		
Other	3,048,246		
Total Receivables		9,954,458	
Prepaid Expenses (1)			
Other Assets (1)			
<u>Total Assets</u>			\$ 79,637,233

2. Liabilities:

<u>Claims:</u>			
Case Reserves	16,256,250		
IBNR Reserve (2)	42,859,984		
Subtotal Claims		59,116,234	
<u>Expenses (unpaid) (1):</u>			
Excess Insurance			
Administrative	243,796		
Subtotal Expenses		243,796	
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)	11,949,635		
Subtotal		11,949,635	
<u>Total Liabilities</u>			71,309,665
NET CURRENT SURPLUS/(DEFICIT) = 1-2			\$ 8,327,568

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, 2020  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 912,523,377		
Supplemental Contributions	862,606		
Other Income (except investments)	<u>187,207</u>		
Total Income			\$ 913,573,190
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	303,788,600		
Case Reserves			
IBNR Reserve			
Subtotal		<u>\$ 303,788,600</u>	
Less Excess Insurance:			
Received	28,346,328		484,058
Receivable	142,571		375,707
Recoverable			
Subtotal		<u>28,488,899</u>	
Limited Incurred Claims (claims-excess)		<u>275,299,701</u>	
<u>Expenses:</u>			
Excess Insurance Premiums	545,063,619		
Administrative	100,744,796		
Workers Compensation	3,813,803		
Property Grant	<u>270,408</u>		
Subtotal Expenses		<u>649,892,626</u>	
<u>Total Incurred Liabilities</u> (limited claims and expenses)			<u>925,192,327</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(11,619,137)
4. <u>Investment Income (Earned)</u>			60,617,799
4a. <u>Transfer</u>			<u>(900,000)</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			48,098,662
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>\$ 3,833,076</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - MEL SURPLUS TRIGGER  
DECEMBER 31, 2020  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	2,978,484	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 2,978,484
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid			
Case Reserves			
IBNR Reserve			
Subtotal			
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative			
Workers Compensation			
Property Grant			
Subtotal Expenses			
<u>Total Incurred Liabilities</u> (limited claims and expenses)			
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			2,978,484
4. <u>Investment Income (Earned)</u>			
4a. <u>Transfer</u>			
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			2,978,484
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 2,978,484</u>

Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR OPERATING RESULTS ANALYSISFUND YEAR - 2017DECEMBER 31, 2020

(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	4,982,816	
Case Reserves	3,801,373	
IBNR Reserve	5,282,692	
Subtotal		\$ 14,066,881
Less Excess Insurance:		
Received		
Receivable		
Recoverable		
Subtotal		
Limited Incurred Claims (claims-excess)		14,066,881
<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)		40,321,525
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		4,184,467
4. <u>Investment Income (Earned)</u>		782,120
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		4,966,587
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 4,966,587

Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2020  
(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	7,671,333		
Case Reserves	5,242,530		
IBNR Reserve	7,903,025		
Subtotal			\$ 20,816,888
Less Excess Insurance:			
Received	16,476		
Receivable	975,000		
Recoverable	448,034		
Subtotal			1,439,510
Limited Incurred Claims (claims-excess)			19,377,378
<u>Expenses:</u>			
Excess Insurance Premiums	20,917,638		
Administrative	5,778,842		
Workers' Compensation	525,300		
EPL Credits	350,844		
Subtotal Expenses			27,572,624
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			46,950,002
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(2,850,793)
4. <u>Investment Income (Earned)</u>			621,405
4a <u>Transfers</u>			900,000
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(1,329,388)
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ (1,329,388)



MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2020  
(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	5,045,367		
Case Reserves	2,543,817		
IBNR Reserve	11,191,933		
Subtotal			\$ 18,781,117
Less Excess Insurance:			
Received			
Receivable			
Recoverable	746,236		
Subtotal			746,236
Limited Incurred Claims (claims-excess)			18,034,881
<u>Expenses:</u>			
Excess Insurance Premiums	18,974,820		
Administrative	5,903,813		
Worker's Compensation	535,806		
EPL Credits	327,858		
Subtotal Expenses			25,742,297
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			43,777,178
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,537,098
4. <u>Investment Income (Earned)</u>			376,013
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			3,913,111
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 3,913,111

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2020  
DECEMBER 31, 2020  
(Unaudited)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 48,166,203		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 48,166,203
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	3,581,297		
Case Reserves	20,948,764		
IBNR Reserve	18,482,334		
Subtotal			\$ 43,012,395
Less Excess Insurance:			
Received			
Receivable	315,292		
Recoverable	15,085,964		
Subtotal			15,401,256
Limited Incurred Claims (claims-excess)			27,611,139
<u>Expenses:</u>			
Excess Insurance Premiums	19,697,503		
Administrative	6,139,362		
Workers Compensation	546,522		
Property Grant	254,832		
Subtotal Expenses			26,638,219
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			54,249,358
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(6,083,155)
4. <u>Investment Income (Earned)</u>			48,853
4a. <u>Transfer</u>			
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			(6,034,302)
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ (6,034,302)

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
 FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
 FUND YEAR - 2017  
 DECEMBER 31, 2020  
 (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)	\$ 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	12,608,294	13,618,265	11,072,858	922,613	209,900	477,934	5,596,128	44,505,992
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,262,516	5,514,504	6,289,861					14,066,881
Expenses	9,454,521	7,339,023	3,129,628	873,988			5,457,484	26,254,644
Total Liabilities	11,717,037	12,853,527	9,419,489	873,988			5,457,484	40,321,525
3. <u>Underwriting Surplus/(Deficit)</u>	891,257	764,738	1,653,369	48,625	209,900	477,934	138,644	4,184,467
4. <u>Adjustments</u>								
Investment Income	64,759	313,733	358,340	2,545	10,968	25,410	6,365	782,120
Transfers								
Total Adjustments	64,759	313,733	358,340	2,545	10,968	25,410	6,365	782,120
5. Gross Operating Surplus	956,016	1,078,471	2,011,709	51,170	220,868	503,344	145,009	4,966,587
6. Return of Surplus								
7. Net Current Surplus	\$ 956,016	\$ 1,078,471	\$ 2,011,709	\$ 51,170	\$ 220,868	\$ 503,344	\$ 145,009	\$ 4,966,587

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2020  
(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	13,083,170	13,148,770	10,186,372	932,813	212,009	717,643	5,818,432	44,099,209	
2. <u>Incurred Liabilities</u>									
Claims (limited incurred)	3,838,373	9,406,643	5,802,362		330,000			19,377,378	
Expenses	9,746,919	7,120,907	3,184,679	1,741,277			5,778,842	27,572,624	
Total Liabilities	13,585,292	16,527,550	8,987,041	1,741,277	330,000		5,778,842	46,950,002	
3. <u>Underwriting Surplus/(Deficit)</u>	(502,122)	(3,378,780)	1,199,331	(808,464)	(117,991)	717,643	39,590	(2,850,793)	
4. <u>Adjustments</u>									
Investment Income		256,722	324,059	1,219	9,806	26,286	3,313	621,405	
Transfers				900,000				900,000	
Total Adjustments		256,722	324,059	901,219	9,806	26,286	3,313	1,521,405	
5. Gross Operating Surplus	(502,122)	(3,122,058)	1,523,390	92,755	(108,185)	743,929	42,903	(1,329,388)	
6. Return of Surplus									
7. Net Current Surplus	\$ (502,122)	\$ (3,122,058)	\$ 1,523,390	\$ 92,755	\$ (108,185)	\$ 743,929	\$ 42,903	\$ (1,329,388)	

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2020  
(Unaudited)

Coverages and Other Accounts

	Property	Liability	Worker's Compensation	Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Loss Fund Contingency	General and Administrative	Total
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)	2,773,061	7,557,317	7,238,904		425,599		5,903,813	17,994,881
Expenses	10,074,458	5,879,140	3,245,552	639,334			5,903,813	25,742,297
Total Liabilities	12,847,519	13,436,457	10,484,456	639,334	425,599		5,903,813	43,737,178
3. <u>Underwriting Surplus/(Deficit)</u>	1,238,703	(172,068)	213,102	1,041,223	(203,992)	1,290,771	169,359	3,577,098
4. <u>Adjustments</u>								
Investment Income Transfers	8,100	163,918	146,656	31,290	2,425	9,499	14,125	376,013
Total Adjustments	8,100	163,918	146,656	31,290	2,425	9,499	14,125	376,013
5. <u>Gross Operating Surplus</u>	1,246,803	(8,150)	359,758	1,072,513	(201,567)	1,300,270	183,484	3,953,111
6. <u>Return of Surplus</u>								
7. <u>Net Current Surplus</u>	\$ 1,246,803	\$ (8,150)	\$ 359,758	\$ 1,072,513	\$ (201,567)	\$ 1,300,270	\$ 183,484	\$ 3,953,111

Schedule D

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2020  
DECEMBER 31, 2020  
(Unaudited)

	Coverages and Other Accounts								Total	
	Property	Liability	Worker's Compensation	Optional Excess				Loss Fund Contingency		General and Administrative
				Public Officials/ Employment Practices	Faithful Performance Bond					
1. <u>Underwriting Income</u>										
Regular Contributions (earned)	\$ 15,250,038	\$ 13,362,367	\$ 9,559,580	\$ 1,719,191	\$ 224,985	\$ 1,695,766	\$ 6,354,276	\$ 48,166,203		
Supplemental Contributions										
Other Income (except investments)										
Total Income	15,250,038	13,362,367	9,559,580	1,719,191	224,985	1,695,766	6,354,276	48,166,203		
2. <u>Incurred Liabilities</u>										
Claims (limited incurred)	3,976,109	11,125,926	11,246,468		55,000			26,403,503		
Expenses	10,287,588	6,216,360	3,326,132	668,777			6,139,362	26,638,219		
Total Liabilities	14,263,697	17,342,286	14,572,600	668,777	55,000		6,139,362	53,041,722		
3. <u>Underwriting Surplus/(Deficit)</u>	986,341	(3,979,919)	(5,013,020)	1,050,414	169,985	1,695,766	214,914	(4,875,519)		
4. <u>Adjustments</u>										
Investment Income		15,104	19,271	6,595	906	1,717	5,260	48,853		
Transfers										
Total Adjustments		15,104	19,271	6,595	906	1,717	5,260	48,853		
5. Gross Operating Surplus	986,341	(3,964,815)	(4,993,749)	1,057,009	170,891	1,697,483	220,174	(4,826,666)		
6. Return of Surplus										
7. Net Current Surplus	\$ 986,341	\$ (3,964,815)	\$ (4,993,749)	\$ 1,057,009	\$ 170,891	\$ 1,697,483	\$ 220,174	\$ (4,826,666)		

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2017  
DECEMBER 31, 2020  
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 2,356,683	\$ 1,377,036	\$ 1,249,097		\$ 4,982,816
Case Reserves	(94,167)	734,644	3,160,896		3,801,373
IBNR Reserve		3,402,824	1,879,868		5,282,692
Subtotal	<u>2,262,516</u>	<u>5,514,504</u>	<u>6,289,861</u>		<u>14,066,881</u>
Excess Insurance					
Received					
Receivable					
Recoverable					
Subtotal					
Incurred Claims	<u>2,262,516</u>	<u>5,514,504</u>	<u>6,289,861</u>		<u>\$ 14,066,881</u>
Number of Claims	61	384	131		
Cost/Claim	<u>\$ 37,090</u>	<u>\$ 14,361</u>	<u>\$ 48,014</u>	<u>\$ -0-</u>	

Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2018  
DECEMBER 31, 2020  
(Unaudited)

	<u>Coverages</u>				<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 4,268,668	\$ 2,321,886	\$ 1,080,779		\$ 7,671,333
Case Reserves	17,739	2,563,505	2,331,286	\$ 330,000	5,242,530
IBNR Reserve		5,512,728	2,390,297		7,903,025
Subtotal	<u>4,286,407</u>	<u>10,398,119</u>	<u>5,802,362</u>	<u>330,000</u>	<u>20,816,888</u>
Excess Insurance					
Received		16,476			16,476
Receivable		975,000			975,000
Recoverable	448,034				448,034
Subtotal	<u>448,034</u>	<u>991,476</u>			<u>1,439,510</u>
Incurred Claims	<u>3,838,373</u>	<u>9,406,643</u>	<u>5,802,362</u>	<u>330,000</u>	<u>\$ 19,377,378</u>
Number of Claims	188	370	120	1	
Cost/Claim	<u>\$ 20,417</u>	<u>\$ 25,423</u>	<u>\$ 48,353</u>	<u>\$ 330,000</u>	



MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2020  
(Unaudited)

	<u>Coverages</u>					Total
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Public Officials' Employment Practice</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 3,213,278		\$ 1,470,020		\$ 362,069	\$ 5,045,367
Case Reserves	306,019		2,134,268	\$ 40,000	63,530	2,543,817
IBNR Reserve		<u>\$ 7,557,317</u>	<u>3,634,616</u>			11,191,933
Subtotal	<u>3,519,297</u>	<u>7,557,317</u>	<u>7,238,904</u>	<u>40,000</u>	<u>425,599</u>	<u>18,781,117</u>
Excess Insurance						
Received						
Receivable						
Recoverable	<u>746,236</u>					<u>746,236</u>
Subtotal	<u>746,236</u>					<u>746,236</u>
Incurred Claims	<u>2,773,061</u>	<u>7,557,317</u>	<u>7,238,904</u>	<u>40,000</u>	<u>425,599</u>	<u>\$ 18,034,881</u>
Number of Claims	136	330	92	123	3	
Cost/Claim	<u>\$ 20,390</u>	<u>\$ 22,901</u>	<u>\$ 78,684</u>	<u>\$ 325</u>	<u>\$ 141,866</u>	

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2020  
DECEMBER 31, 2020  
(Unaudited)

	<u>Coverages</u>					<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Public Officials' Employment Practice</u>	<u>Faithful Performance</u>	
Paid Claims	\$ 3,061,012		\$ 468,208		\$ 52,077	\$ 3,581,297
Case Reserves	5,485,829	\$ 2,300,000	13,135,012	\$ 25,000	2,923	20,948,764
IBNR Reserve	(157,870)	8,825,926	8,631,642	1,182,636		18,482,334
Subtotal	<u>8,388,971</u>	<u>11,125,926</u>	<u>22,234,862</u>	<u>1,207,636</u>	<u>55,000</u>	<u>43,012,395</u>
Excess Insurance						
Received						
Receivable			315,292			315,292
Recoverable	4,412,862		10,673,102			15,085,964
Subtotal	<u>4,412,862</u>		<u>10,988,394</u>			<u>15,401,256</u>
Incurred Claims	<u>3,976,109</u>	<u>11,125,926</u>	<u>11,246,468</u>	<u>1,207,636</u>	<u>55,000</u>	<u>\$ 27,611,139</u>
Number of Claims	247	191	1,332	110	2	
Cost/Claim	<u>\$ 16,098</u>	<u>\$ 58,251</u>	<u>\$ 8,443</u>	<u>\$ 10,979</u>	<u>\$ 27,500</u>	

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2017DECEMBER 31, 2020

(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 FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2018DECEMBER 31, 2020

(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	1,333,173		1,333,173
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	486,875		486,875
Reinsurance Manager	305,484		305,484
Internal Audit	4,000		4,000
Brokerage Expense	529,014		529,014
Non-Contracted Expenses	268,345	\$ 438	268,783
Risk Management Consultant	206,420		206,420
Subtotal Administrative	<u>5,778,404</u>	<u>438</u>	<u>5,778,842</u>
3. <u>Worker's Compensation</u>			
Managed Care	525,300		525,300
Subtotal Worker's Compensation	<u>525,300</u>		<u>525,300</u>
4. <u>Liability</u>			
EPL Credits	350,844		350,844
Subtotal Liability	<u>350,844</u>		<u>350,844</u>
Total Expenses = 1+2+3+4	<u>\$ 27,572,186</u>	<u>\$ 438</u>	<u>\$ 27,572,624</u>

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR EXPENSE ANALYSIS  
FUND YEAR - 2019  
DECEMBER 31, 2020  
(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	1,232,010		1,232,010
Safety and Education	1,373,995		1,373,995
Administration	1,346,304		1,346,304
Actuary	51,118		51,118
Attorney	59,199		59,199
Auditor	29,441		29,441
Treasurer	25,664		25,664
Reinsurance Manager	311,593		311,593
Other Consultants	360,236	\$ 2,193	362,429
Internal Audit	54,643	5,550	60,193
Brokerage Expense	539,594		539,594
Non-Contracted Expenses	299,395	875	300,270
Risk Management Consultant	212,003		212,003
Subtotal Administrative	<u>5,895,195</u>	<u>8,618</u>	<u>5,903,813</u>
3. <u>Worker's Compensation</u>			
Managed Care	535,806		535,806
Subtotal Worker's Compensation	<u>535,806</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>\$ 25,733,679</u>	<u>\$ 8,618</u>	<u>\$ 25,742,297</u>

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2020DECEMBER 31, 2020

(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 10,287,588		\$ 10,287,588
Liability	5,961,528		5,961,528
Worker's Compensation	2,779,610		2,779,610
Public Officials Liability	668,777		668,777
Subtotal Excess	<u>19,697,503</u>		<u>19,697,503</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,234,046	\$ 39,238	1,273,284
Safety and Education	1,445,486		1,445,486
Administration	1,362,688	338	1,363,026
Actuary	52,140		52,140
Attorney	51,466	12,523	63,989
Auditor		30,030	30,030
Treasurer	26,192		26,192
Other Consultants	433,042	42,334	475,376
Internal Audit	21,750	39,647	61,397
Reinsurance Manager	317,825		317,825
Brokerage Expense	550,387		550,387
Non-Contracted Expenses	263,288	8,756	272,044
Risk Management Consultant	146,312	61,874	208,186
Subtotal Administrative	<u>5,904,622</u>	<u>234,740</u>	<u>6,139,362</u>
3. <u>Worker's Compensation</u>			
Managed Care	<u>546,522</u>		<u>546,522</u>
Subtotal Workers's Compensation	<u>546,522</u>		<u>546,522</u>
4. <u>Liability</u>			
EPL Credits	<u>254,832</u>		<u>254,832</u>
Subtotal Liabiliby	<u>254,832</u>		<u>254,832</u>
Total Expenses = 1+2+3+4	<u>\$ 26,403,479</u>	<u>\$ 234,740</u>	<u>\$ 26,638,219</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
PROGRAM SUMMARY  
FUND YEAR - 2020  
DECEMBER 31, 2020  
 (Unaudited)  
COVERAGES

	Liability	Workers's Compensation	Property	Crime	Public Officials/ Employment Practices
1. Limits	\$5,000,000 CSL for general liability, automotive liability, and police professional. \$5,000,000 combined annual aggregate for general liability and police professional per municipality. Automotive liability is unaggregated. An optional \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 per occurrence and \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 aggregate is also available.	Cov. A - Statutory Cov. B - \$5,000,000	\$125 million per occurrence	\$1,000,000 per loss  Statutory Positions Covered By Endorsement, subject to application & approval process	Optional limits of \$1,000,000, \$2,000,000, \$5,000,000, \$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-rata basis with 80% Brit and 20% MEL pro rata 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	\$17,342,286	\$14,572,600	\$14,263,697	\$55,000	\$1,876,413
6. Exposure Units (population or students) (A)	5,466,265 Population	3,234,701,535 Payroll	14,312,674,759 Property Value	35,932 Full time Employees	5,466,265 Population
7. Liabilities/Unit	\$2.70	\$0.01	\$0.01	\$1.53	\$4.05

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF CASH AND INVESTMENTS  
DECEMBER 31, 2020  
(Unaudited)

<u>Bank</u>	<u>Account Description</u>	<u>Amount</u>
Investors Bank-Claims-QL	Claims	\$ 85,927
Investors Bank-Claims-CB	Claims	323,171
Investors Bank-Claims-York	Claims	870,895
BNY Mellon	Investment	47,272,171
New Jersey Cash Management Fund	Cash Management	41,462
Republic Bank	Short Term Investments	6,567,855
Investors Savings	Checking	14,729,998
		<u>69,891,479</u>
Add: Deposit in Transit		1,098,093
Less: Outstanding Checks		<u>1,306,797</u>
		<u><u>\$ 69,682,775</u></u>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE  
DECEMBER 31, 2020  
(Unaudited)

Amount Due From Reinsurance Company:		
Fund Year 2018		\$ 975,000
Fund Year 2020		315,292
		<u>1,290,292</u>
		<u><u>\$ 1,290,292</u></u>



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF ASSESSMENTS RECEIVABLE  
DECEMBER 31, 2020  
(Unaudited)

Fund Year 2020	\$	2,637,436
Fund Year - MEL - Surplus Trigger		2,978,484
		5,615,920
		\$ 5,615,920

ANALYSIS OF OTHER RECEIVABLES  
DECEMBER 31, 2020  
(Unaudited)

Fund Year - MEL - Aggregate Excess Loss Fund Contingency		
Genesis Insurance Receivable- Workers Compensation	\$	142,572
Refund Receivable		56,863
Notes Receivable Township of Fairfield		142,500
Notes Receivable Borough of Bogota		1,125,000
Notes Receivable Township of Belleville		146,696
Notes Receivable Borough of Maywood		432,000
Notes Receivable Borough of Rutherford		360,000
Notes Receivable Borough of Woodcliff Lake		600,000
Fund Year - 2019		
Genesis Insurance Receivable- Workers Compensation		42,615
		\$ 3,048,246

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE  
DECEMBER 31, 2020  
(Unaudited)

Fund Year 2018:			
Non-Contracted Expenses		\$	438
Fund Year 2019:			
Other Consultants	\$	2,193	
Internal Audit		5,550	
Non-Contracted Expenses		875	
			8,618
Fund Year 2020:			
Claims Administration		39,238	
Administration		338	
Attorney		12,523	
Auditor		30,030	
Other Consultants		42,334	
Internal Audit		39,647	
Non-Contracted Expenses		8,756	
Risk Management Consultant		61,874	
			234,740
			\$ 243,796

ANALYSIS OF MISCELLANEOUS LIABILITIES  
DECEMBER 31, 2020  
(Unaudited)

Fund Year - MEL - Aggregate Excess Loss Fund Contingency: Due to Municipal Excess Liability Residual Claims Fund		\$ 11,949,635
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**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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 30, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
April 30, 2021

*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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Business-Type Activities										
Unrestricted	\$ 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	\$ 16,251,657
Total Business-Type Activities Net Position	\$ 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	\$ 16,251,657

Source - Insurance Fund Financial Records.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
SCHEDULE OF CHANGE IN NET POSITION

LAST TEN YEARS  
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenue:</b>										
Assessments from Participating Members	\$ 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	\$ 51,144,687
Other Income				498						
Investment Income	1,692,466	618,953	(121,095)	352,718	324,193	597,183	371,100	927,981	1,754,444	962,896
Change in Investment in Joint Venture	(223,077)	(183,932)	1,171,808	(2,071,522)	1,248,544	4,794,438	94,118	(824,443)	668,349	394,808
Total Revenue	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	52,502,391
<b>Expenses:</b>										
Provision for Claims and Claim Adjustment Expense	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	23,875,263
Assessment for Participation in Municipal Excess										
Liability Residual Claims Fund	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	11,949,635
Insurance Premiums	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	19,697,503
Claims Administration	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	1,312,707
Other Contractual Services	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	3,013,344
Non-Contractual Expenses	75,844	87,923	107,039	207,089	269,856	193,597	240,292	279,776	285,270	287,044
Administration	901,582	918,536	935,607	954,319	1,016,726	1,124,916	1,147,468	1,317,570	1,336,443	1,374,469
EPL Credits								350,844	327,608	254,832
Insurance Brokerage Expense	460,538	469,749	479,144	488,727	498,502	508,472	518,641	529,014	539,594	550,387
Risk Management Fees	340,001	346,429	337,244	337,833	332,003	336,323	342,473	192,946	212,003	208,186
Total Expenses	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	62,523,370
Change in Net Position	\$ 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)	\$ (10,020,979)

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, 2020  
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total number of members	19	19	19	19	19	19	19	19	19	19
Total employees	37,425	35,826	35,342	34,651	34,273	34,072	34,552	33,891	35,559	35,932
Total annual payrolls	\$ 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	\$ 3,234,701,535
Total member assessments	\$ 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	\$ 48,166,203
Total number of claims	566	730	485	548	660	618	576	679	684	1,882
Total reported losses	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 14,760,884	\$ 8,784,189	\$ 11,474,353	\$ 6,842,948	\$ 9,128,805

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, 2020  
(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.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Property	\$ 2,750,317	\$ 2,867,601	\$ 2,015,047	\$ 3,241,842	\$ 2,446,654	\$ 3,868,266	\$ 2,262,516	\$ 3,838,373	\$ 2,773,061	\$ 4,133,979
Liability	4,668,810	6,204,320	1,956,876	4,099,517	6,363,630	7,084,244	2,111,680	3,893,915		2,300,000
Workers' Compensation	6,381,177	3,390,024	4,605,555	2,511,948	5,367,558	3,575,933	4,409,993	3,412,065	3,604,288	2,614,826
Faithful Performance Bond		8,034	770,714	16,344		232,441		330,000	425,599	55,000
Public Officials' Liability	135,254			389					40,000	25,000
Total	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 9,870,040	\$ 14,177,842	\$ 14,760,884	\$ 8,784,189	\$ 11,474,353	\$ 6,842,948	\$ 9,128,805
Total number of claims	566	730	485	548	660	618	576	679	684	1,882
Average cost per claim	\$ 24,621	\$ 17,082	\$ 19,275	\$ 18,011	\$ 21,482	\$ 23,885	\$ 15,250	\$ 16,899	\$ 10,004	\$ 4,851

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, 2020  
(Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Property	91	217	43	70	116	136	61	188	136	247
Liability	300	332	278	332	365	321	384	370	330	191
Workers' Compensation	170	180	159	143	179	157	131	120	92	1,332
Faithful Performance Bond		1	5	2		4		1	3	2
Public Officials' Liability	5			1					123	110
Total	566	730	485	548	660	618	576	679	684	1,882
Claims settled in full	468	607	394	457	555	520	454	530	474	1,581
Claims pending	98	123	91	91	105	98	122	149	210	301
Total	566	730	485	548	660	618	576	679	684	1,882

Source - Joint Insurance Fund - Third Party Claims Administrator