

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

Comprehensive Annual Financial Report  
For the Years Ended December 31, 2016 and 2015

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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*

June 21, 2017

Executive Committee  
 Municipal Excess Liability Joint Insurance Fund  
 9 Campus Drive, Suite 216  
 Parsippany, NJ 07054

Dear Executive Committee Members:

The Comprehensive Annual Financial Report (CAFR) of the Municipal Excess Liability Joint Insurance Fund (MEL) for the year ended December 31, 2016 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 workers' compensation, and automobile, general and professional liability. The MEL also purchases excess property insurance for its affiliated JIFs under a cooperative purchasing arrangement. 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 January, all of the Super Storm Sandy wind and flood claims were resolved. The Superstorm Sandy Committee was instrumental in settling the claims – which was a remarkable feat to accomplish within three years.

Munich Reinsurance marked its 25 year relationship with the Municipal Excess Liability Joint Insurance Fund. The Municipal Excess Liability Joint Insurance Fund was one of the first public entity insurance pools to enter into a direct relationship with a reinsurer – which has provided the MEL with stability and collaboration.

The Municipal Excess Liability Joint Insurance Fund worked with a Financial Adviser to revise its Cash Management Plan to expand investment opportunities and maturities. In addition, the MEL worked with the Senate to encourage legislation that will include language allowing joint insurance funds to invest longer, purchase municipal bonds and form a joint cash management plan.

A task form was created to address issues arising out of the Public Officials and Employment Practices Liability policy language on land use claims in policies issued by QBE Specialty Insurance.

The MEL met with the Department of Banking and Insurance and Department of Community of Affairs to discuss the benefits of an Insurance Industry Internship Program, including interning at the state. The New Jersey Safety Institute assumed the project during 2016.

The MEL entered into a follow-up contract with Rutgers University to continue with loss control efforts for Cyber Liability.

The MEL awarded a contract to VCS to develop a Safe Patient Lifting for Emergency Responders video program. The MEL identified this has a high risk operation.

The state concluded its examination of the Municipal Excess Liability Joint Insurance Fund and submitted its report to the Board. Report did not contain any comments or recommendations.

The MEL issued an Request for Qualifications for a Marketing Manager and/or Consultant to develop a marketing program to better meet the expectations of the new generation of elected officials.

In November, the MEL issued a publication celebrating its 30th year anniversary.

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

### **Investment Management**

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

As of December 31, 2016, the MEL's portfolio consisted of the following:

	Amount	Percentage of Total
Checking Accounts/Money Market	\$ 17,414,131	28.11%
New Jersey Cash Management	8,639	0.01%
Investments	44,520,561	71.87%
	<u>\$ 61,943,331</u>	<u>100.00%</u>

### **Independent Audit**

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



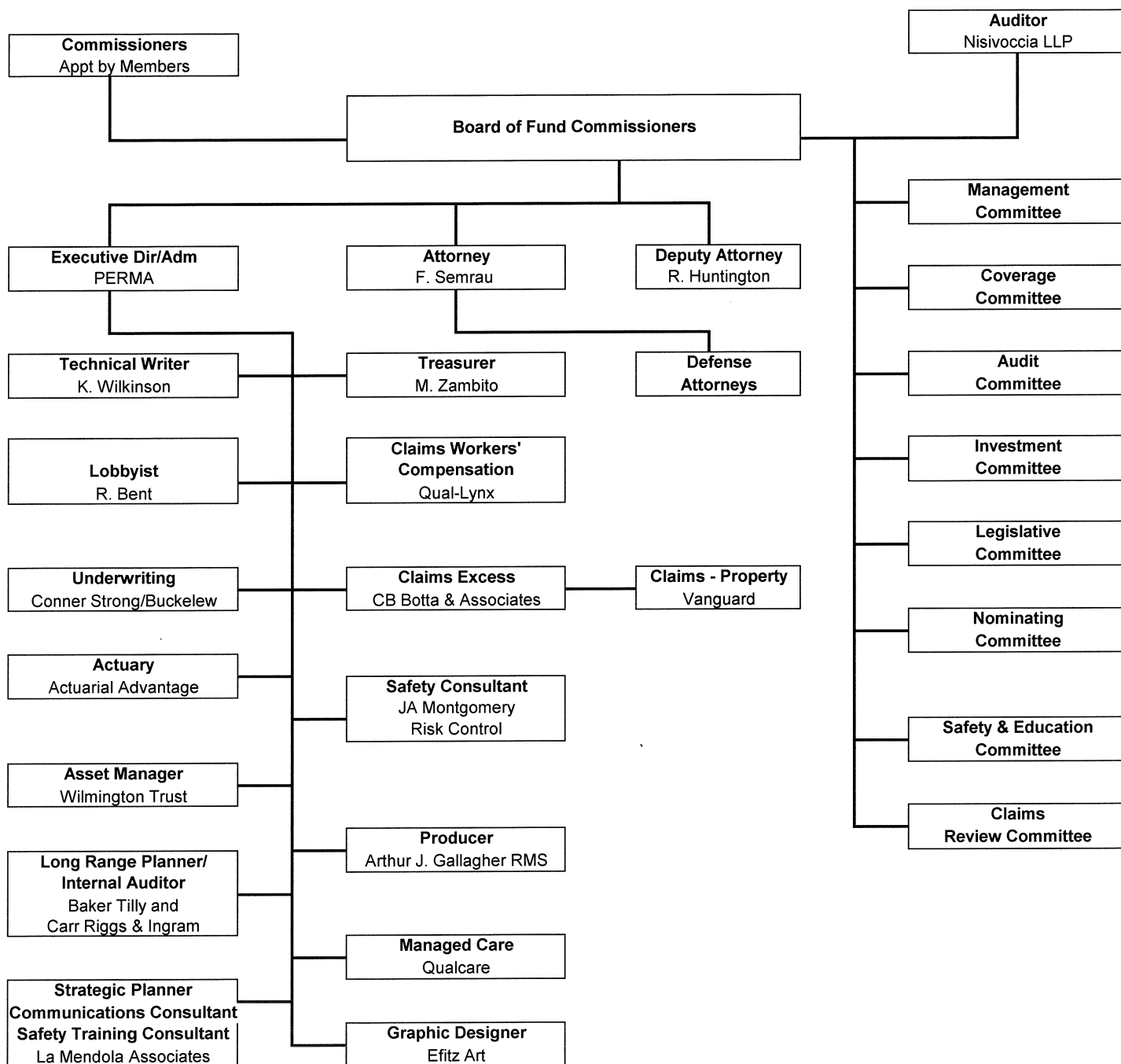
MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
ROSTER OF OFFICIALS AND CONSULTANTS  
DECEMBER 31, 2016

Jon Rheinhardt	Fund Chairman
Robert Landolfi	Fund Secretary
Thomas Nolan	Fund Commissioner
Joseph Wolk	Fund Commissioner
Meghan Jack	Fund Commissioner
James Gildea	Fund Commissioner
Paul Shives	Fund Commissioner
Richard Hirsch	Fund Commissioner
Scott Carew	Fund Commissioner
Carol Byrne	Fund Commissioner
Charles Cuccia	Fund Commissioner
Bernard Rutkowski	Fund Commissioner
Mauro Tucci	Fund Commissioner
Andrew Brannen	Fund Commissioner
Joseph D'Arco	Fund Commissioner
Robert Law	Fund Commissioner
William Cottman	Fund Commissioner
Cynthia Ege	Fund Commissioner
James Cargin	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
Qual-Lynx	Claims Administrators - Public Official/EPL
Vanguard	Claims Administrators - Excess Property
Qual-Lynx	Claims Administrators - Worker's Compensation
 Qualcare	 Managed Care Provider
 Conner Strong/Buckelew	 Underwriting Manager
 Arthur J Gallagher Risk Management Svcs, Inc.	 Producer
 Baker Tilly	 Internal Auditor - Insurance Component
 Carr Riggs & Ingram	 Internal Auditor - Financial Component
 Wilmington Trust	 Asset Manager

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
ROSTER OF OFFICIALS AND CONSULTANTS  
DECEMBER 31, 2016

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

# MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND 2016 ORGANIZATIONAL CHART



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
MEMBERSHIP LISTING  
AS OF DECEMBER 31, 2016

Atlantic County Municipal Joint Insurance Fund (41 Municipalities)

Bergen County Municipal Joint Insurance Fund (38 Municipalities)

Burlington County Municipal Joint Insurance Fund (27 Municipalities)

Camden County Municipal Joint Insurance Fund (34 Members)

Central Jersey Joint Insurance Fund (8 Municipalities)

Gloucester/Salem/Cumberland Counties Municipalities Joint Insurance Fund (36 Municipalities)

Mid Jersey Municipal Joint Insurance Fund (13 Municipalities)

Monmouth Municipal Joint Insurance Fund (39 Municipalities)

Morris County Municipal Joint Insurance Fund (41 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 (5 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 (21 Municipalities and 1 County)

South Bergen Municipal Joint Insurance Fund (23 Municipalities)

Suburban Essex Municipal Joint Insurance Fund (9 Member Entities)

Suburban Municipal Joint Insurance Fund (10 Municipalities)

**FINANCIAL SECTION**



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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Municipal Excess Liability Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, 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 June 21, 2017 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
June 21, 2017

*Nissim LLP*



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

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2016 and 2015. 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, 2016, 2015 and 2014.

<u>SUMMARY OF STATEMENT OF NET POSITION</u>			15-16		14-15
	2016	2015	Percent Change	2014	Percent Change
<b>ASSETS:</b>					
Cash,Cash Equivalents, Investments	\$ 61,943,331	\$ 80,361,407	-22.92%	\$ 72,150,961	11.38%
Assessments Receivable	3,086,887	1,679,782	83.77%	2,099,402	-19.99%
Investment in Joint Venture	5,631,080	836,642	573.06%	(411,902)	303.12%
Other Assets	2,630,389	2,647,256	-0.64%	2,096,821	26.25%
<b>Total</b>	<b>73,291,687</b>	<b>85,525,087</b>	<b>-14.30%</b>	<b>75,935,282</b>	<b>12.63%</b>
<b>LIABILITIES:</b>					
Loss Reserves	43,124,127	52,691,488	-18.16%	53,667,187	-1.82%
Other Liabilities and Reserves	168,949	13,720,501	-98.77%	1,180,003	1062.75%
<b>Total</b>	<b>43,293,076</b>	<b>66,411,989</b>	<b>-34.81%</b>	<b>54,847,190</b>	<b>21.09%</b>
<b>NET POSITION</b>	<b>\$ 29,998,611</b>	<b>\$ 19,113,098</b>	<b>56.95%</b>	<b>\$ 21,088,092</b>	<b>-9.37%</b>

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

	2016	2015	15-16 Percent Change	2014	14-15 Percent Change
Operating Revenue:					
Assessments and Other Income	<u>\$ 43,450,989</u>	<u>\$ 45,611,847</u>	-4.74%	<u>\$ 44,620,602</u>	2.22%
Operating Expenses:					
Provision for Claims & Claims Expense	(97,461)	8,838,158	-101.10%	10,589,937	-16.54%
Assessment for Participation in RCF	12,247,851	14,858,457	-17.57%	11,222,440	32.40%
Insurance Premiums	19,987,434	19,783,632	1.03%	18,926,665	4.53%
Administrative and Operating Expenses	<u>5,819,272</u>	<u>5,679,331</u>	2.46%	<u>5,474,367</u>	3.74%
Total Operating Expenses	<u>37,957,096</u>	<u>49,159,578</u>	-22.79%	<u>46,213,409</u>	6.38%
Operating Income/(Loss)	5,493,893	(3,547,731)	254.86%	(1,592,807)	-122.73%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	4,794,438	1,248,544	284.00%	(2,071,522)	160.27%
Investment Income	<u>597,182</u>	<u>324,193</u>	84.21%	<u>352,718</u>	-8.09%
Increase/(Decrease) in Net Position	<u>\$ 10,885,513</u>	<u>\$ (1,974,994)</u>	651.17%	<u>\$ (3,311,611)</u>	40.36%

The Fund's asset base decreased by 14.30% during the reporting period and cash and investments decreased by 22.92%, primarily due to the payment made in 2016 of the 2015 Assessment for Participation in the RCF. 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 573.06% reflecting an increase in equity retained by that entity. The increase is due to the RCF adopting the policy of discounting loss reserves.

The Fund's liabilities decreased by 34.81% primarily resulting from the payment of the 2015 RCF assessment.

For 2016 assessments decreased by 4.74%. The provision for claims and claims expense decreased by 101.10% due to favorable liability coverage experience. Insurance premiums increased by 1.03%, while administrative and operating expenses increased by 2.46%. Investment income increased by 84.21%. For 2016, 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 \$29,998,611 in 2016 compared to \$19,113,098 at the end of 2015; an increase of 56.95%. Net position values for both reporting periods include the cumulative effect of the discounting of loss reserves.

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

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

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

**BASIC FINANCIAL STATEMENTS**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATEMENT OF NET POSITION

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 17,422,770	\$ 16,131,082
Investments	44,520,561	64,230,325
Assessments Receivable	3,086,887	1,679,782
Notes Receivable	184,969	210,312
Accrued Interest Receivable	120,905	125,185
Insurance Receivables	419,825	484,258
Due from Municipal Excess Liability Residual Claims Fund	148,440	
Prepaid Expenses		1,000
Investment in Joint Venture	5,631,080	836,642
Total Current Assets	<u>71,535,437</u>	<u>83,698,586</u>
Long-Term Assets:		
Notes Receivable	1,756,250	1,826,501
Total Long-Term Assets	<u>1,756,250</u>	<u>1,826,501</u>
Total Assets	<u>73,291,687</u>	<u>85,525,087</u>
<u>LIABILITIES:</u>		
Loss Reserves	43,124,127	52,691,488
Accounts Payable - Vendors	168,949	251,608
Due to Municipal Excess Liability Residual Claims Fund		13,468,893
Total Liabilities	<u>43,293,076</u>	<u>66,411,989</u>
<u>NET POSITION:</u>		
Unrestricted	29,998,611	19,113,098
Total Net Position	<u>\$ 29,998,611</u>	<u>\$ 19,113,098</u>

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	
	2016	2015
Operating Revenue:		
Assessments from Participating Members	\$ 43,450,989	\$ 45,611,847
Total Operating Revenue	43,450,989	45,611,847
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of < \$879,863> and <\$2,664,439> for 2016 and 2015, respectively)	(97,461)	8,838,158
Assessment for Participation in Municipal Excess Liability		
Residual Claims Fund	12,247,851	14,858,457
Insurance Premiums	19,987,434	19,783,632
Claims Administration	1,142,848	1,154,900
Other Contractual Services	1,704,494	1,619,479
Non-Contractual Expenses	193,597	269,856
Administration	1,124,916	1,016,726
Insurance Brokerage Expense	508,472	498,502
Managed Care	515,000	500,000
Reinsurance Manager	293,623	287,865
Risk Management Fees	336,323	332,003
Total Operating Expenses	37,957,097	49,159,578
Operating Income/(Loss)	5,493,892	(3,547,731)
Non-Operating Income/(Expenses):		
Change in Investment in Joint Venture	4,794,438	1,248,544
Investment Income/(Loss)	597,183	324,193
Change in Net Position	10,885,513	(1,974,994)
Net Position - Beginning of Year	19,113,098	21,088,092
Net Position - End of Year	\$ 29,998,611	\$ 19,113,098

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	
	2016	2015
Cash Flows from Operating Activities:		
Assessments Collected	\$ 42,043,884	\$ 46,031,467
Refunds	2,883,406	6,426,916
Claims Expense	(12,353,306)	(16,240,773)
Professional and Administrative Expenses	(5,805,338)	(7,960,746)
Insurance Premiums	(19,923,001)	(19,716,419)
Municipal Excess Liability Residual Claims Fund	(25,865,184)	(643,731)
Net Cash Provided/(Used) by Operating Activities	(19,019,539)	7,896,714
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(293,612)	(11,708,811)
Proceeds from Sales and Maturities of Investment Securities	20,206,908	73,947
Investment Income	397,931	413,536
Net Cash Provided/(Used) by Investing Activities	20,311,227	(11,221,328)
Net Increase/(Decrease) in Cash and Cash Equivalents	1,291,688	(3,324,614)
Cash and Cash Equivalents, January 1	16,131,082	19,455,696
Cash and Cash Equivalents, December 31	\$ 17,422,770	\$ 16,131,082
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ 5,493,892	\$ (3,547,731)
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	(1,407,105)	419,620
Insurance Receivables	64,433	67,213
Due from Municipal Excess Liability Residual Claims Fund	(148,440)	745,833
Prepaid Expense	1,000	(1,000)
Notes Receivable	95,594	(1,352,020)
Increase/(Decrease) in Liabilities:		
Loss Reserves	(9,567,361)	(975,699)
Accounts Payable	(82,659)	19,688
Other Liabilities		(948,083)
Due to Municipal Excess Liability Residual Claims Fund	(13,468,893)	13,468,893
Net Cash Provided/(Used) by Operating Activities	\$ (19,019,539)	\$ 7,896,714

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, 2016

**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, 2016  
(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.

Income Taxes

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



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

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

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 \$19,987,434 and \$19,783,632 for the years ended December 31, 2016 and 2015, respectively. The amount deducted from claims liabilities for reinsurance was \$637,892 and \$1,517,755 at December 31, 2016 and 2015, 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, 2016  
(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, 2016. 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, 2016 and 2015, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2016</u>	<u>2015</u>
Case Reserves	\$ 6,511,186	\$ 12,598,850
Losses Incurred but not Reported	<u>36,612,941</u>	<u>40,092,638</u>
Total Loss Reserves	<u>\$ 43,124,127</u>	<u>\$ 52,691,488</u>

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

	<u>2016</u>	<u>2015</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 52,691,488</u>	<u>\$ 53,667,187</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	14,495,564	17,352,405
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(14,593,025)</u>	<u>(8,514,247)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>(97,461)</u>	<u>8,838,158</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	3,243,964	2,985,974
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>6,225,936</u>	<u>6,827,883</u>
Total Payments	<u>9,469,900</u>	<u>9,813,857</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 43,124,127</u>	<u>\$ 52,691,488</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(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, 2016, \$46,399,925 of unpaid claims and claim adjustment expenses are presented at their net present value of \$43,124,127. These claims are discounted at an annual rate of 1.79%.

At December 31, 2015, \$56,713,239 of unpaid claims and claim adjustment expenses are presented at their net present value of \$52,691,488. 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.

GASB Statement No. 40, *Governmental Accounting Standards Deposit and Investment Risk Disclosures*, 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, 2016  
(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, 2016 and 2015, cash and cash equivalents of the Fund consisted of the following:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Checking Accounts	\$ 17,392,089	\$ 15,193,230
Money Market Account	22,042	879,169
Cash Management Funds	<u>8,639</u>	<u>58,683</u>
	<u>\$ 17,422,770</u>	<u>\$ 16,131,082</u>

The carrying amount of the Fund's cash and cash equivalents as of December 31, 2016 and 2015 were \$17,422,770 and \$16,131,082 respectively. The bank balances as of December 31, 2016 and 2015 were \$17,673,542 and \$16,923,582, respectively. The \$8,639 and \$58,683 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 5: INVESTMENTS

The Fund implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, during the year ended December 31, 2016.

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;

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, 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 paragraph (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

All of the Fund's investments are recorded at fair value based on quoted market prices (Level 1 inputs). The investments are held by the Fund's custodial bank trust department in the Fund's name. The bank's trust department is also its agent in purchasing and selling the securities. The investments are uninsured and unregistered. All of the funds held by the custodial bank are held in a fiduciary account, in the Fund's name, and are backed by the full faith and credit of the U.S. Government. As such, they are protected in the event of bankruptcy of the bank. Investments at December 31, 2016 and 2015 consisted of the following recurring fair value measurements as Level 1 inputs:

	Balance Dec. 31, 2016	Weighted Average Maturity in Months	Balance Dec. 31, 2015	Weighted Average Maturity in Months
United States Treasury Notes	\$ 44,520,561	53.22	\$ 60,176,327	49.66
Federal Home Loan Bank Notes			3,045,948	11.98
Federal National Mortgage Association Notes			1,008,050	61.57
	<u>\$ 44,520,561</u>	<u>53.22</u>	<u>\$ 64,230,325</u>	<u>48.08</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

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 2013 - Faithful Performance Bond	\$ 497,107
Fund Year 2014 - Property	954,719
Fund Year 2015 - Property	655,996
Fund Year 2015 - Liability	649,611
Fund Year 2016 - Property	1,228,409
Fund Year 2016 - Liability	229,969

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

NOTE 7: INSURANCE RECEIVABLES

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

NOTE 8: MEMBERSHIP IN JOINT INSURANCE FUND

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

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 2016, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2012 Fund Year. Loss reserves totaling \$12,247,851 at June 30, 2016, were assumed as of June 30, 2016 in exchange for the Fund's assessment for participation in the Residual Fund of \$12,247,851.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

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

During 2015, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2011 Fund Year. Loss reserves totaling \$14,858,457 at June 30, 2015, were assumed as of June 30, 2015 in exchange for the Fund's assessment for participation in the Residual Fund of \$14,858,457.

Selected, summarized unaudited financial information for the Residual Fund as of December 31, 2016 is as follows:

Total Assets	\$ 92,436,187
Net Position	\$ 11,967,910
Total Revenue	\$ 25,239,408
Total Expenses	\$ 15,536,723
Change in Net Position	\$ 9,092,685
Member Dividends	\$ 610,000

The Fund's equity interest in the Residual Fund was \$5,631,080 and \$ 836,642 as of December 31, 2016 and 2015, 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.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

NOTE 10: NOTES RECEIVABLE

In 2012 the Fund entered into three additional Promissory Notes with the Township of Fairfield, the Township of Bloomfield, and the Borough of Fair Lawn. The total amounts of the settlements were \$712,250, \$55,000 and \$275,000 respectively. The Township of Fairfield agreed to pay the Fund in installments of \$71,250 over ten years. The Township of Bloomfield agreed to pay three installments on January 1, 2014, 2015, and 2016, in the amount of \$18,334, \$18,333, and \$18,333 respectively. The Borough of Fair Lawn agreed to pay the Fund in installments of \$91,667 over three years.

On August 20, 2013 the MEL entered into an agreement with the City of Beverly to repay the Fund for the balance of the City's deductible and co-insurance. This agreement includes three installment payments of \$20,731 over three years. The repayment process started on May 31, 2014 and the succeeding two years on March 31<sup>st</sup> of each year for that amount up to and including March 31, 2016. For a total of \$62,191.

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 with the first installment payment being made on or before December 31, 2016.

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 2016, the Fund budgeted and assessed each member 100% of the MEL's layer of projected loss funds. The Fund will expense the liability and workers' compensation excess coverage premium for the actual amount billed by the MEL and record revenue at the full amount budgeted and billed its members. The difference between the assessment billed to the Fund's members and the MEL's premium will be transferred to an Aggregate Excess Loss Fund Contingency within the Fund in January and will earn interest in the same manner as all other fund years. The net position within the Aggregate Excess Loss Fund of the Fund will be maintained by member in the same manner that the Closed Fund Years' net



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016  
(Continued)

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

position is maintained. As future fund years continue to adopt this program the same process will be followed and the member shares will be maintained on a weighted average of their contributions to the Aggregate Excess Loss Fund Contingency. If the MEL bills the Fund for an additional assessment, and the member does not have enough net position in its portion of the Aggregate Excess Loss Fund Contingency, the Fund could bill the member an additional assessment.

**REQUIRED SUPPLEMENTARY INFORMATION**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
(Unaudited)

	Property		Liability		Faithful Performance Bond		Worker's Compensation		Public Officials/ Employment Practices		Totals	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Unpaid claims and claim adjustment expenses at beginning of year	\$ 46,843	\$ 698,617	\$25,052,103	\$ 23,794,834	\$ 124,465	\$ 7,354	\$21,266,028	\$22,963,944	\$ 6,202,049	\$ 6,202,438	\$52,691,488	\$53,667,187
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current period	3,764,253	3,212,956	5,933,439	6,936,563	9,298	92,986	4,788,574	7,109,900			14,495,564	17,352,405
Increases/(decreases) in provision for insured events of prior years	28,422	574,126	(8,049,059)	(1,827,863)	(120,649)	727,677	(6,461,540)	(7,988,187)	9,801		(14,593,025)	(8,514,247)
Total incurred claims and claim adjustment expenses	3,792,675	3,787,082	(2,115,620)	5,108,700	(111,351)	820,663	(1,672,966)	(878,287)	9,801		(97,461)	8,838,158
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current period	3,243,882	2,701,028					82	284,946			3,243,964	2,985,974
Claims and claim adjustment expenses attributable to insured events of the current period	822,094	1,737,828	2,683,305	3,851,431	(46,872)	703,552	2,757,608	534,683	9,801	389	6,225,936	6,827,883
Total payments	4,065,976	4,438,856	2,683,305	3,851,431	(46,872)	703,552	2,757,690	819,629	9,801	389	9,469,900	9,813,857
Unpaid claims and claim adjustment expenses at end of year	\$ (226,458)	\$ 46,843	\$20,253,178	\$ 25,052,103	\$ 59,986	\$ 124,465	\$16,835,372	\$21,266,028	\$ 6,202,049	\$ 6,202,049	\$43,124,127	\$52,691,488

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

	Fiscal Period Ended December 31, 2016 and Policy Period Ended December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Required contribution and investment revenue:										
Earned	\$ 52,370,052	\$ 55,952,520	\$ 56,831,012	\$ 57,870,179	\$ 44,036,278	\$ 43,550,580	\$ 43,558,176	\$ 44,849,158	\$ 45,757,691	\$ 43,454,650
Ceded	16,461,478	15,914,456	16,565,698	16,409,301	15,926,686	16,054,304	16,628,567	18,932,416	19,785,005	19,785,005
	<u>35,908,574</u>	<u>40,038,064</u>	<u>40,265,314</u>	<u>41,460,878</u>	<u>28,109,592</u>	<u>27,496,276</u>	<u>26,929,609</u>	<u>25,916,742</u>	<u>25,972,686</u>	<u>23,669,645</u>
Unallocated expenses	<u>4,730,526</u>	<u>5,027,496</u>	<u>5,419,816</u>	<u>5,449,446</u>	<u>5,021,589</u>	<u>5,761,251</u>	<u>5,261,714</u>	<u>5,463,777</u>	<u>5,688,731</u>	<u>5,761,251</u>
Estimated claims and expenses, end of policy year:										
Incurred	22,047,820	26,171,277	26,586,532	26,597,577	20,481,518	27,880,350	14,995,169	16,964,638	18,870,160	14,769,676
Ceded		66,276	5,054	59,968	2,652,457	10,953,464			1,517,755	274,112
Net Incurred	<u>22,047,820</u>	<u>26,105,001</u>	<u>26,581,478</u>	<u>26,537,609</u>	<u>17,829,061</u>	<u>16,926,886</u>	<u>14,995,169</u>	<u>16,964,638</u>	<u>17,352,405</u>	<u>14,495,564</u>
Paid (cumulative) as of:										
End of policy year	1,266,553	2,724,964	1,803,382	3,185,765	1,499,370	1,496,244	1,218,330	1,837,362	2,985,974	3,243,964
One year later	6,473,414	6,562,159	5,772,692	6,774,613	2,730,660	3,494,160	2,004,303	3,193,210	4,915,572	
Two years later	15,709,789	12,805,334	10,446,895	13,761,525	3,509,534	3,661,571	3,011,985	3,270,026		
Three years later	21,883,494	17,189,204	18,245,500	18,940,810	6,173,844	6,903,479	4,977,992			
Four years later	23,496,607	20,942,687	20,918,474	22,342,545	7,396,289	9,156,994				
Five years later	23,496,607	20,942,687	20,918,474	22,342,545						
Six years later	23,496,607	20,942,687	20,918,474	22,342,545						
Seven years later	23,496,607	20,942,687	20,918,474							
Eight years later	23,496,607	20,942,687								
Nine years later	23,496,607									
Reestimated ceded claims and expenses	11,781,164	18,217,742	20,601,016	27,096,053	28,181,181	28,380,548			363,780	274,112
Reestimated incurred claims and expense:										
End of policy year	22,047,820	26,105,001	26,581,478	26,537,609	17,829,061	16,926,886	14,995,169	16,964,638	17,352,405	14,495,564
One year later	27,146,776	28,791,814	28,731,045	25,131,425	15,622,139	15,662,386	15,616,435	16,322,145	16,500,405	
Two years later	31,213,869	32,860,267	29,687,807	28,183,952	16,176,988	15,870,592	16,626,074	14,058,530		
Three years later	33,357,562	34,632,894	32,605,145	32,262,330	18,892,599	18,485,509	14,477,179			
Four years later	23,496,607	20,942,687	20,918,474	22,342,546	7,396,289	9,156,994				
Five years later	23,496,607	20,942,687	20,918,474	22,342,546	7,396,289					
Six years later	23,496,607	20,942,687	20,918,474	22,342,546						
Seven years later	23,496,607	20,942,687	20,918,474							
Eight years later	23,496,607	20,942,687								
Nine years later	23,496,607									
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ 1,448,787</u>	<u>\$ (5,162,314)</u>	<u>\$ (5,663,004)</u>	<u>\$ (4,195,063)</u>	<u>\$ (10,432,772)</u>	<u>\$ (7,769,892)</u>	<u>\$ (517,990)</u>	<u>\$ (2,906,108)</u>	<u>\$ (852,000)</u>	<u>\$ -0-</u>

**COMBINING SUPPLEMENTARY SCHEDULES**

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2016

		Fund Year				
	MEL Aggregate Excess Loss Fund Contingency	2013	2014	2015	2016	Total
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 353,890	\$ 4,681,060	\$ 4,819,242	\$ 4,308,439	\$ 3,260,139	\$ 17,422,770
Investments	905,892	11,982,635	12,336,359	11,028,797	8,266,878	44,520,561
Assessments Receivable					3,086,887	3,086,887
Notes Receivable	184,969					184,969
Accrued Interest Receivable	18,666	26,209	27,839	31,147	17,044	120,905
Insurance Receivables	419,825					419,825
Due from Municipal Excess Liability Residual Claims Fund	148,440					148,440
Investment in Joint Venture	5,631,080					5,631,080
Total Current Assets	7,662,762	16,689,904	17,183,440	15,368,383	14,630,948	71,535,437
Long Term Assets:						
Notes Receivable	1,756,250					1,756,250
Total Long-Term Assets	1,756,250					1,756,250
Total Assets	9,419,012	16,689,904	17,183,440	15,368,383	14,630,948	73,291,687
<u>LIABILITIES</u>						
Loss Reserves		9,499,189	10,788,507	11,584,833	11,251,598	43,124,127
Accounts Payable					168,949	168,949
Total Liabilities		9,499,189	10,788,507	11,584,833	11,420,547	43,293,076
<u>NET POSITION</u>						
Unrestricted	9,419,012	7,190,715	6,394,933	3,783,550	3,210,401	29,998,611
Total Net Position	\$ 9,419,012	\$ 7,190,715	\$ 6,394,933	\$ 3,783,550	\$ 3,210,401	\$ 29,998,611

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Fund Year					
	MEL Aggregate Excess Loss Fund Contingency	2013	2014	2015	2016	Total
Operating Revenue:						
Assessments from Participating Members			\$ 500		\$ 43,450,489	\$ 43,450,989
Total Operating Revenue			500		43,450,489	43,450,989
Operating Expenses:						
Provision for Claims and Claim Adjustment Expense	\$ (9,328,516)	\$ (2,148,894)	(2,263,613)	\$ (852,000)	14,495,562	(97,461)
Assessment for Participation in Municipal Excess Liability						
Residual Claims Fund	12,247,851					12,247,851
Insurance Premiums/(Refund)					19,987,434	19,987,434
Claims Administration					1,142,848	1,142,848
Other Contractual Services			1,129	10,769	1,692,596	1,704,494
Non-Contractual Expenses				523	193,074	193,597
Administration				45,600	1,079,316	1,124,916
Insurance Brokerage Expense					508,472	508,472
Managed Care					515,000	515,000
Reinsurance Manager					293,623	293,623
Risk Management Fees					336,323	336,323
Total Operating Expenses	2,919,335	(2,148,894)	(2,262,484)	(795,108)	40,244,248	37,957,097
Operating Income/(Loss)	(2,919,335)	2,148,894	2,262,984	795,108	3,206,241	5,493,892
Non-Operating Income/(Expenses):						
Change in Investment in Joint Venture	4,794,438					4,794,438
Investment Income/(Loss)	203,749	122,442	121,146	145,686	4,160	597,183
Change in Net Position	2,078,852	2,271,336	2,384,130	940,794	3,210,401	10,885,513
Net Position - Beginning of Year	7,340,160	4,919,379	4,010,803	2,842,756		19,113,098
Net Position - End of Year	\$ 9,419,012	\$ 7,190,715	\$ 6,394,933	\$ 3,783,550	\$ 3,210,401	\$ 29,998,611

**SUPPLEMENTARY DATA**



## Schedule A

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
HISTORICAL OPERATING RESULTS ANALYSIS  
ALL FUND YEARS  
DECEMBER 31, 2016  
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 912,655,355	
Supplemental Contributions	862,606	
Other Income (except investments)	<u>187,207</u>	
Total Income		\$ 913,705,168
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	283,266,511	
Case Reserves	10,424,876	
IBNR Reserve	<u>36,612,941</u>	
Subtotal		\$ 330,304,328
Less Excess Insurance:		
Received	27,960,723	
Receivable	419,825	
Recoverable	<u>637,892</u>	
Subtotal		<u>29,018,440</u>
Limited Incurred Claims (claims-excess)		301,285,888
<u>Expenses:</u>		
Excess Insurance Premiums	500,661,338	
Administrative	100,746,182	
Worker's Compensation	3,813,803	
Property Grant	<u>270,408</u>	
Subtotal Expenses		<u>605,491,731</u>
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		<u>906,777,619</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		6,927,549
4. <u>Investment Income (Earned)</u>		<u>58,429,770</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		65,357,319
6. <u>Return of Surplus:</u>		
Paid	44,265,586	
Authorized and Unpaid	<u></u>	
Subtotal Return of Surplus		<u>44,265,586</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		<u>\$ 21,091,733</u>

## Schedule B

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
HISTORICAL BALANCE SHEET  
ALL FUND YEARS  
DECEMBER 31, 2016  
(Unaudited)

1. Assets:

Cash and Investments (1)	\$ 61,943,331		
		\$ 61,943,331	
<u>Receivables (1):</u>			
Excess Insurance	419,825		
Assessments	3,086,887		
Other	2,210,564		
Total Receivables		5,717,276	
Prepaid Expenses (1)			
Other Assets (1)			
<u>Total Assets</u>			\$ 67,660,607

2. Liabilities:

<u>Claims:</u>			
Case Reserves	9,786,984		
IBNR Reserve (2)	36,612,941		
Subtotal Claims		46,399,925	
<u>Expenses (unpaid) (1):</u>			
Excess Insurance			
Administrative			
Subtotal Expenses			
<u>Other Liabilities:</u>			
Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)	168,949		
Subtotal		168,949	
<u>Total Liabilities</u>			46,568,874

NET CURRENT SURPLUS/(DEFICIT) = 1-2

\$ 21,091,733

Notes: (1) attach schedule itemizing these categories

(2) attach an opinion from the actuary

## Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - MEL AGGREGATE EXCESS LOSS FUND CONTINGENCY  
DECEMBER 31, 2016  
 (Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 735,661,944	
Supplemental Contributions	862,606	
Other Income (except investments)	<u>186,707</u>	
Total Income		\$ 736,711,257
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	266,858,957	
Case Reserves		
IBNR Reserve		
Subtotal	<u></u>	\$ 266,858,957
Less Excess Insurance:		
Received	27,960,723	
Receivable	419,825	
Recoverable		
Subtotal	<u></u>	<u>28,380,548</u>
Limited Incurred Claims (claims-excess)		<u>238,478,409</u>
<u>Expenses:</u>		
Excess Insurance Premiums	425,327,916	
Administrative	80,549,507	
Workers Compensation	1,836,505	
Property Grant	<u>268,908</u>	
Subtotal Expenses		<u>507,982,836</u>
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		<u>746,461,245</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		(9,749,988)
4. <u>Investment Income (Earned)</u>		57,803,506
4a. <u>Transfer</u>		<u></u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		48,053,518
6. <u>Return of Surplus:</u>		
Paid	44,265,586	
Authorized and Unpaid		
Subtotal Return of Surplus	<u></u>	<u>44,265,586</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		<u>\$ 3,787,932</u>

## Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2013  
DECEMBER 31, 2016  
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,305,703	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,305,703
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	4,977,992	
Case Reserves	4,370,200	
IBNR Reserve	5,837,568	
Subtotal		\$ 15,185,760
Less Excess Insurance:		
Received		
Receivable		
Recoverable		
Subtotal		
Limited Incurred Claims (claims-excess)		15,185,760
<u>Expenses:</u>		
Excess Insurance Premiums	16,628,567	
Administrative	4,786,511	
Worker's Compensation	475,203	
Property Grant		
Subtotal Expenses		21,890,281
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		37,076,041
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		6,229,662
4. <u>Investment Income (Earned)</u>		252,473
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		6,482,135
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 6,482,135

## Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR OPERATING RESULTS ANALYSISFUND YEAR - 2014DECEMBER 31, 2016

(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 44,627,186	
Supplemental Contributions		
Other Income (except investments)	<u>500</u>	
Total Income		\$ 44,627,686
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	3,270,026	
Case Reserves	3,208,530	
IBNR Reserve	<u>8,283,180</u>	
Subtotal		\$ 14,761,736
Less Excess Insurance:		
Received		
Receivable		
Recoverable	<u></u>	
Subtotal		<u>14,761,736</u>
Limited Incurred Claims (claims-excess)		
<u>Expenses:</u>		
Excess Insurance Premiums	18,932,416	
Administrative	4,975,182	
Workers' Compensation	487,095	
Property Grant	<u>1,500</u>	
Subtotal Expenses		<u>24,396,193</u>
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		<u>39,157,929</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		5,469,757
4. <u>Investment Income (Earned)</u>		<u>221,972</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		5,691,729
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid	<u></u>	
Subtotal Return of Surplus		<u></u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		<u>\$ 5,691,729</u>

## Schedule C

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR OPERATING RESULTS ANALYSIS  
FUND YEAR - 2015  
DECEMBER 31, 2016  
 (Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 45,610,032	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 45,610,032
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	4,915,572	
Case Reserves	1,914,791	
IBNR Reserve	10,908,606	
Subtotal		\$ 17,738,969
Less Excess Insurance:		
Received		
Receivable		
Recoverable	363,780	
Subtotal		363,780
Limited Incurred Claims (claims-excess)		17,375,189
<u>Expenses:</u>		
Excess Insurance Premiums	19,785,005	
Administrative	5,188,731	
Worker's Compensation	500,000	
Property Grant		
Subtotal Expenses		25,473,736
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		42,848,925
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		2,761,107
4. <u>Investment Income (Earned)</u>		147,659
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		2,908,766
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 2,908,766

## Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR OPERATING RESULTS ANALYSISFUND YEAR - 2016DECEMBER 31, 2016

(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,450,490	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,450,490
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	3,243,964	
Case Reserves	931,355	
IBNR Reserve	11,583,587	
Subtotal		\$ 15,758,906
Less Excess Insurance:		
Received		
Receivable		
Recoverable	274,112	
Subtotal		274,112
Limited Incurred Claims (claims-excess)		15,484,794
<u>Expenses:</u>		
Excess Insurance Premiums	19,987,434	
Administrative	5,246,251	
Workers Compensation	515,000	
Property Grant		
Subtotal Expenses		25,748,685
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		41,233,479
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		2,217,011
4. <u>Investment Income (Earned)</u>		4,160
4a. <u>Transfer</u>		
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		2,221,171
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 2,221,171

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2013  
DECEMBER 31, 2016  
 (Unaudited)

Coverages and Other Accounts								
	Property	Liability	Worker's Compensation	Optional Excess Public Officials'/ Employment Practices	Faithful Performance Bond	Contingency	General and Administrative	Total
1. <u>Underwriting Income</u>								
Regular Contributions (earned)	\$ 8,954,127	\$ 13,696,331	\$ 14,159,808	\$ 723,775	\$ 217,374	\$ 439,655	\$ 5,114,633	\$ 43,305,703
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>8,954,127</u>	<u>13,696,331</u>	<u>14,159,808</u>	<u>723,775</u>	<u>217,374</u>	<u>439,655</u>	<u>5,114,633</u>	<u>43,305,703</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,015,047	4,451,320	7,948,679		770,714			15,185,760
Expenses	<u>6,466,625</u>	<u>6,757,900</u>	<u>3,164,294</u>	<u>714,951</u>			<u>4,786,511</u>	<u>21,890,281</u>
Total Liabilities	<u>8,481,672</u>	<u>11,209,220</u>	<u>11,112,973</u>	<u>714,951</u>	<u>770,714</u>		<u>4,786,511</u>	<u>37,076,041</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>472,455</u>	<u>2,487,111</u>	<u>3,046,835</u>	<u>8,824</u>	<u>(553,340)</u>	<u>439,655</u>	<u>328,122</u>	<u>6,229,662</u>
4. <u>Adjustments</u>								
Investment Income	47,406	53,733	90,519	2,530	56,233	494	1,558	252,473
Transfers								
Total Adjustments	<u>47,406</u>	<u>53,733</u>	<u>90,519</u>	<u>2,530</u>	<u>56,233</u>	<u>494</u>	<u>1,558</u>	<u>252,473</u>
5. Gross Operating Surplus	<u>519,861</u>	<u>2,540,844</u>	<u>3,137,354</u>	<u>11,354</u>	<u>(497,107)</u>	<u>440,149</u>	<u>329,680</u>	<u>6,482,135</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ 519,861</u>	<u>\$ 2,540,844</u>	<u>\$ 3,137,354</u>	<u>\$ 11,354</u>	<u>\$ (497,107)</u>	<u>\$ 440,149</u>	<u>\$ 329,680</u>	<u>\$ 6,482,135</u>



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

FUND YEAR - 2014  
DECEMBER 31, 2016

(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)	\$ 10,748,818	\$ 13,506,831	\$ 13,553,663	\$ 843,238	\$ 210,054	\$ 547,797	\$ 5,216,785	\$ 44,627,186
Supplemental Contributions								
Other Income (except investments)			500					500
Total Income	<u>10,748,818</u>	<u>13,506,831</u>	<u>13,554,163</u>	<u>843,238</u>	<u>210,054</u>	<u>547,797</u>	<u>5,216,785</u>	<u>44,627,686</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,245,003	6,200,000	5,300,000	389	16,344			14,761,736
Expenses	8,511,529	6,873,517	3,219,295	816,670			4,975,182	24,396,193
Total Liabilities	<u>11,756,532</u>	<u>13,073,517</u>	<u>8,519,295</u>	<u>817,059</u>	<u>16,344</u>		<u>4,975,182</u>	<u>39,157,929</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(1,007,714)</u>	<u>433,314</u>	<u>5,034,868</u>	<u>26,179</u>	<u>193,710</u>	<u>547,797</u>	<u>241,603</u>	<u>5,469,757</u>
4. <u>Adjustments</u>								
Investment Income	51,495	44,089	65,865	3,051	55,209	616	1,647	221,972
Transfers	1,500						(1,500)	
Total Adjustments	<u>52,995</u>	<u>44,089</u>	<u>65,865</u>	<u>3,051</u>	<u>55,209</u>	<u>616</u>	<u>147</u>	<u>221,972</u>
5. Gross Operating Surplus	<u>(954,719)</u>	<u>477,403</u>	<u>5,100,733</u>	<u>29,230</u>	<u>248,919</u>	<u>548,413</u>	<u>241,750</u>	<u>5,691,729</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (954,719)</u>	<u>\$ 477,403</u>	<u>\$ 5,100,733</u>	<u>\$ 29,230</u>	<u>\$ 248,919</u>	<u>\$ 548,413</u>	<u>\$ 241,750</u>	<u>\$ 5,691,729</u>

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS  
FUND YEAR - 2015  
DECEMBER 31, 2016  
(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)	\$ 11,375,316	\$ 14,114,389	\$ 13,195,041	\$ 897,325	\$ 209,077	\$ 481,306	\$ 5,337,578	\$ 45,610,032
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>11,375,316</u>	<u>14,114,389</u>	<u>13,195,041</u>	<u>897,325</u>	<u>209,077</u>	<u>481,306</u>	<u>5,337,578</u>	<u>45,610,032</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,246,928	7,508,261	6,600,000		20,000			17,375,189
Expenses	8,821,575	7,266,964	3,308,631	887,835			5,188,731	25,473,736
Total Liabilities	<u>12,068,503</u>	<u>14,775,225</u>	<u>9,908,631</u>	<u>887,835</u>	<u>20,000</u>		<u>5,188,731</u>	<u>42,848,925</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(693,187)</u>	<u>(660,836)</u>	<u>3,286,410</u>	<u>9,490</u>	<u>189,077</u>	<u>481,306</u>	<u>148,847</u>	<u>2,761,107</u>
4. <u>Adjustments</u>								
Investment Income	37,191	11,225	8,805	2,624	50,502	541	36,771	147,659
Transfers			(750)				750	
Total Adjustments	<u>37,191</u>	<u>11,225</u>	<u>8,055</u>	<u>2,624</u>	<u>50,502</u>	<u>541</u>	<u>37,521</u>	<u>147,659</u>
5. Gross Operating Surplus	<u>(655,996)</u>	<u>(649,611)</u>	<u>3,294,465</u>	<u>12,114</u>	<u>239,579</u>	<u>481,847</u>	<u>186,368</u>	<u>2,908,766</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (655,996)</u>	<u>\$ (649,611)</u>	<u>\$ 3,294,465</u>	<u>\$ 12,114</u>	<u>\$ 239,579</u>	<u>\$ 481,847</u>	<u>\$ 186,368</u>	<u>\$ 2,908,766</u>

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

Coverages and Other Accounts								
	Property	Liability	Worker's Compensation	Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Contingency	General and Administrative	Total
1. <u>Underwriting Income</u>								
Regular Contributions (earned)	\$ 11,660,761	\$ 13,362,995	\$ 11,498,206	\$ 905,879	\$ 207,239	\$ 473,494	\$ 5,341,916	\$ 43,450,490
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>11,660,761</u>	<u>13,362,995</u>	<u>11,498,206</u>	<u>905,879</u>	<u>207,239</u>	<u>473,494</u>	<u>5,341,916</u>	<u>43,450,490</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	3,774,794	6,300,000	5,400,000		10,000			15,484,794
Expenses	9,115,000	7,294,525	3,195,792	897,117			5,246,251	25,748,685
Total Liabilities	<u>12,889,794</u>	<u>13,594,525</u>	<u>8,595,792</u>	<u>897,117</u>	<u>10,000</u>		<u>5,246,251</u>	<u>41,233,479</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(1,229,033)</u>	<u>(231,530)</u>	<u>2,902,414</u>	<u>8,762</u>	<u>197,239</u>	<u>473,494</u>	<u>95,665</u>	<u>2,217,011</u>
4. <u>Adjustments</u>								
Investment Income	624	1,561	(1,003)	24	559		2,395	4,160
Transfers								
Total Adjustments	<u>624</u>	<u>1,561</u>	<u>(1,003)</u>	<u>24</u>	<u>559</u>		<u>2,395</u>	<u>4,160</u>
5. Gross Operating Surplus	<u>(1,228,409)</u>	<u>(229,969)</u>	<u>2,901,411</u>	<u>8,786</u>	<u>197,798</u>	<u>473,494</u>	<u>98,060</u>	<u>2,221,171</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (1,228,409)</u>	<u>\$ (229,969)</u>	<u>\$ 2,901,411</u>	<u>\$ 8,786</u>	<u>\$ 197,798</u>	<u>\$ 473,494</u>	<u>\$ 98,060</u>	<u>\$ 2,221,171</u>

Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2013  
DECEMBER 31, 2016  
 (Unaudited)

	Coverages					Total
	Property	Liability	Worker's Compensation	Faithful Performance	Public Officials' Employment Practice	
Paid Claims	\$ 1,978,357	\$ 1,676,844	\$ 596,796	\$ 725,995		\$ 4,977,992
Case Reserves	36,690	280,032	4,008,759	44,719		4,370,200
IBNR Reserve		2,494,444	3,343,124			5,837,568
Subtotal	<u>2,015,047</u>	<u>4,451,320</u>	<u>7,948,679</u>	<u>770,714</u>		<u>15,185,760</u>
Excess Insurance						
Received						
Receivable						
Recoverable						
Subtotal						
Incurred Claims	<u>2,015,047</u>	<u>4,451,320</u>	<u>7,948,679</u>	<u>770,714</u>		<u>\$ 15,185,760</u>
Number of Claims	43	278	159	5		
Cost/Claim	<u>\$ 46,862</u>	<u>\$ 16,012</u>	<u>\$ 49,992</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR CLAIMS ANALYSISFUND YEAR - 2014DECEMBER 31, 2016

(Unaudited)

	Coverages					Total
	Property	Liability	Worker's Compensation	Faithful Performance	Public Officials' Employment Practice	
Paid Claims	\$ 3,038,879	\$ 54,860	\$ 159,554	\$ 16,344	\$ 389	\$ 3,270,026
Case Reserves	206,124	1,005,140	1,997,266			3,208,530
IBNR Reserve		5,140,000	3,143,180			8,283,180
Subtotal	3,245,003	6,200,000	5,300,000	16,344	389	14,761,736
Excess Insurance						
Received						
Receivable						
Recoverable						
Subtotal						
Incurred Claims	3,245,003	6,200,000	5,300,000	16,344	389	\$ 14,761,736
Number of Claims	70	291	134	2	1	
Cost/Claim	\$ 46,357	\$ 21,306	\$ 39,552	\$ 8,172	\$ 389	

## Schedule E

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR CLAIMS ANALYSIS  
FUND YEAR - 2015  
DECEMBER 31, 2016  
(Unaudited)

	<u>Coverages</u>					<u>Total</u>
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	<u>Public Officials' Employment Practice</u>	
Paid Claims	\$ 3,544,351		\$ 1,371,221			\$ 4,915,572
Case Reserves	151,314	\$ 653,118	1,110,359			1,914,791
IBNR Reserve	<u>(84,957)</u>	<u>6,855,143</u>	<u>4,118,420</u>	<u>\$ 20,000</u>		<u>10,908,606</u>
Subtotal	<u>3,610,708</u>	<u>7,508,261</u>	<u>6,600,000</u>	<u>20,000</u>		<u>17,738,969</u>
Excess Insurance						
Received						
Receivable						
Recoverable	<u>363,780</u>					<u>363,780</u>
Subtotal	<u>363,780</u>					<u>363,780</u>
Incurred Claims	<u>3,246,928</u>	<u>7,508,261</u>	<u>6,600,000</u>	<u>20,000</u>		<u>\$ 17,375,189</u>
Number of Claims	116	290	139	2		
Cost/Claim	<u>\$ 27,991</u>	<u>\$ 25,891</u>	<u>\$ 47,482</u>	<u>\$ 10,000</u>	<u>\$ -0-</u>	

## Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR CLAIMS ANALYSISFUND YEAR - 2016DECEMBER 31, 2016

(Unaudited)

	<u>Coverages</u>				
	<u>Property</u>	<u>Liability</u>	<u>Worker's Compensation</u>	<u>Faithful Performance</u>	<u>Total</u>
Paid Claims	\$ 3,243,882		\$ 82		\$ 3,243,964
Case Reserves	921,770	\$ 7,500	2,085		931,355
IBNR Reserve	(116,746)	6,292,500	5,397,833	\$ 10,000	11,583,587
Subtotal	<u>4,048,906</u>	<u>6,300,000</u>	<u>5,400,000</u>	<u>10,000</u>	<u>15,758,906</u>
Excess Insurance					
Received					
Receivable					
Recoverable	<u>274,112</u>				<u>274,112</u>
Subtotal	<u>274,112</u>				<u>274,112</u>
Incurred Claims	<u>3,774,794</u>	<u>6,300,000</u>	<u>5,400,000</u>	<u>10,000</u>	<u>\$ 15,484,794</u>
Number of Claims	133	161	69	2	
Cost/Claim	<u>\$ 28,382</u>	<u>\$ 39,130</u>	<u>\$ 78,261</u>	<u>\$ -0-</u>	

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2013DECEMBER 31, 2016

(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 6,466,625		\$ 6,466,625
Liability	6,757,900		6,757,900
Worker's Compensation	2,689,091		2,689,091
Public Officials Liability	714,951		714,951
Subtotal Excess	<u>16,628,567</u>		<u>16,628,567</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,137,331		1,137,331
Safety and Education	1,268,990		1,268,990
Administration	935,607		935,607
Actuary	45,391		45,391
Attorney	49,412		49,412
Auditor	26,143		26,143
Treasurer	22,789		22,789
Public Relations	47,694		47,694
Other Consultants	37,092		37,092
Reinsurance Manager	276,686		276,686
Internal Audit	46,413		46,413
Brokerage Expense	479,144		479,144
Non-Contracted Expenses	76,575		76,575
Risk Management Consultant	337,244		337,244
Subtotal Administrative	<u>4,786,511</u>		<u>4,786,511</u>
3. <u>Worker's Compensation</u>			
Managed Care	475,203		475,203
Subtotal Worker's Compensation	<u>475,203</u>		<u>475,203</u>
4. <u>Property</u>			
Property Grant			
Subtotal Property			
Total Expenses = 1+2+3+4	<u>\$ 21,890,281</u>	<u>\$ -0-</u>	<u>\$ 21,890,281</u>



Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2014DECEMBER 31, 2016

(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 8,510,029		\$ 8,510,029
Liability	6,873,517		6,873,517
Worker's Compensation	2,732,200		2,732,200
Public Officials'/Employment Practice	816,670		816,670
Subtotal Excess	<u>18,932,416</u>		<u>18,932,416</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,165,389		1,165,389
Safety and Education	1,188,481		1,188,481
Administration	954,319		954,319
Actuary	46,298		46,298
Attorney	42,431		42,431
Auditor	26,666		26,666
Treasurer	23,245		23,245
Public Relations	92,385		92,385
Other Consultants	58,108		58,108
Reinsurance Manager	282,221		282,221
Internal Audit	53,616		53,616
Brokerage Expense	488,727		488,727
Non-Contracted Expenses	215,463		215,463
Risk Management Consultant	337,833		337,833
Subtotal Administrative	<u>4,975,182</u>		<u>4,975,182</u>
3. <u>Worker's Compensation</u>			
Managed Care	487,095		487,095
Subtotal Worker's Compensation	<u>487,095</u>		<u>487,095</u>
4. <u>Property Grant</u>	<u>1,500</u>		<u>1,500</u>
Subtotal Property Grant	<u>1,500</u>		<u>1,500</u>
Total Expenses = 1+2+3+4	<u>\$ 24,396,193</u>	<u>\$ -0-</u>	<u>\$ 24,396,193</u>

Schedule F

MUNICIPAL EXCESS LIABILITY  
JOINT INSURANCE FUND  
FUND YEAR EXPENSE ANALYSIS  
FUND YEAR - 2015  
DECEMBER 31, 2016  
 (Unaudited)

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

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2016DECEMBER 31, 2016

(Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 9,115,000		\$ 9,115,000
Liability	7,294,525		7,294,525
Worker's Compensation	2,680,792		2,680,792
Public Officials Liability	897,117		897,117
Subtotal Excess	<u>19,987,434</u>		<u>19,987,434</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,110,852	\$ 31,996	1,142,848
Safety and Education	1,234,778		1,234,778
Administration	1,074,147	5,169	1,079,316
Actuary	48,169		48,169
Attorney	57,785	7,743	65,528
Auditor		27,744	27,744
Treasurer	24,184		24,184
Other Consultants	160,572	76,280	236,852
Internal Audit	35,323	20,017	55,340
Reinsurance Manager	293,623		293,623
Brokerage Expense	508,472		508,472
Non-Contracted Expenses	193,074		193,074
Risk Management Consultant	336,323		336,323
Subtotal Administrative	<u>5,077,302</u>	<u>168,949</u>	<u>5,246,251</u>
3. <u>Worker's Compensation</u>			
Managed Care	<u>515,000</u>		<u>515,000</u>
Subtotal Workers's Compensation	<u>515,000</u>		<u>515,000</u>
Total Expenses = 1+2+3+4	<u>\$ 25,579,736</u>	<u>\$ 168,949</u>	<u>\$ 25,748,685</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
PROGRAM SUMMARY  
FUND YEAR - 2016  
DECEMBER 31, 2016  
(Unaudited)  
COVERAGES

	Liability	Worker's Compensation	Property	Crime	Public Officials/ Employment Practices
1. Limits	\$5,000,000 CSL for general liability, automotive liability, and police professional. \$5,000,000 combined annual aggregate for general liability and police professional per municipality. Automotive liability is unaggregated. An optional \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 per occurrence and \$2,000,000, \$5,000,000, \$10,000,000 or \$15,000,000 aggregate is also available.	Cov. A - Statutory Cov. B - \$5,000,000	\$125 million per occurrence	1,000,000.00 per loss Statutory Positions Covered By Endorsement, subject to application & approval process	optional limits of \$1,000,000 \$2,000,000, \$3,000,000, \$4,000,000 or \$8,000,000 are available excess of QBE Speciality Insurance Policies issued to members by the affiliated local Joint Insurance Fund
2. Fund Retention Specific	The difference between the underlying limits from \$200,000 to \$300,000 per occurrence and \$1,750,000.	\$1,700,000 excess of JIF \$300,000 (local retention may vary)	\$450,000 excess of JIF \$50,000 and/or \$400,000 excess of JIF \$100,000	\$950,000 excess of JIF Self insured retention of \$50,000 JIF SIR does not provide coverage for statutory positions	None
3. Excess Insurers (list all insurers and amount insured)	General Reinsurance \$3,250,000 x of \$1,750,000. Munich Re optional limits up to \$15,000,000 excess of \$5,000,000	Safety National provides statutory as above over a \$2,000,000 JIF & MEL self insured retention and \$5,000,000 for employers liability.	Zurich Insurance	None	General Reinsurance
4. Number of Participants	19	19	19	19	18
5. Incurred Liabilities	\$13,594,525	\$8,595,792	\$12,889,794	\$10,000	\$897,117
6. Exposure Units (population or students) (A)	5,248,497 Population	\$2,853,272,321 Payroll	12,428,298,532 Property Value	34,072 Full time Employees	3,659,682 Population
7. Liabilities/Unit	\$2.70	\$0.01	\$0.01	\$0.29	\$4.05

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF CASH AND INVESTMENTS  
DECEMBER 31, 2016  
(Unaudited)

<u>Bank</u>	<u>Account Description</u>	<u>Amount</u>
Investors Bank-Claims-QL	Claims	12,823
Investors Bank-Claims-CB	Claims	56,019
Investors Bank-Claims-VG	Claims	176,389
Money Market	Money Market	22,042
US Treasury Notes	Investment	44,520,562
New Jersey Cash Management Fund	Cash Management	8,639
Investors Savings	Checking	17,397,630
		<u>62,194,104</u>
Add: Deposit in Transit		15,375
Less: Outstanding Checks		<u>266,148</u>
		<u><u>\$ 61,943,331</u></u>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE  
DECEMBER 31, 2016  
(Unaudited)

Amount Due From Reinsurance Company:	
Fund Year - MEL - Aggregate Excess Loss Fund Contingency	<u><u>\$ 419,825</u></u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF ASSESSMENTS RECEIVABLE  
DECEMBER 31, 2016  
 (Unaudited)

Fund Year 2016	<u>\$ 3,086,887</u>
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ANALYSIS OF OTHER RECEIVABLES  
DECEMBER 31, 2016  
 (Unaudited)

Accrued Interest Receivable	\$ 120,905
Notes Receivable Township of Fairfield	427,500
Notes Receivable Borough of Bogota	1,513,719
Due from Municipal Excess Liability Residual Claims Fund	<u>148,440</u>
	<u>\$ 2,210,564</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND  
STATE REQUIRED SUPPORTING  
SCHEDULE - ANNUAL REPORT  
ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE  
DECEMBER 31, 2016  
 (Unaudited)

Fund Year 2016:

Claims Administration	\$ 31,997
Administration	5,169
Attorney	7,743
External Auditor	27,743
Internal Audit	20,017
Non-Contracted Expenses	76,280
	<hr/>
	\$ 168,949
	<hr/> <hr/>

**REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS**





Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973-328-1825 | 973-328-0507 Fax  
Lawrence Business Center  
11 Lawrence Road  
Newton, NJ 07860  
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Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Municipal Excess Liability Joint Insurance Fund (the "Fund") as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated June 21, 2017.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable Chairperson and Members  
of the Board of Fund Commissioners  
Municipal Excess Liability Joint Insurance Fund  
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### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Mount Arlington, New Jersey  
June 21, 2017



## 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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-Type Activities										
Unrestricted	\$ 27,102,482	\$ 26,141,202	\$ 20,081,834	\$ 18,712,493	\$ 21,651,941	\$ 20,876,056	\$ 24,399,703	\$ 21,088,092	\$ 19,113,098	\$ 29,998,611
Total Business-Type Activities Net Position	<u>\$ 27,102,482</u>	<u>\$ 26,141,202</u>	<u>\$ 20,081,834</u>	<u>\$ 18,712,493</u>	<u>\$ 21,651,941</u>	<u>\$ 20,876,056</u>	<u>\$ 24,399,703</u>	<u>\$ 21,088,092</u>	<u>\$ 19,113,098</u>	<u>\$ 29,998,611</u>

Source - Insurance Fund Financial Records.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue:										
Assessments from Participating Members	\$ 50,636,167	\$ 54,654,528	\$ 55,811,911	\$ 57,156,175	\$ 43,756,127	\$ 43,245,446	\$ 43,307,995	\$ 44,620,104	\$ 45,611,847	\$ 43,450,989
Other Income								498		
Investment Income	3,478,002	2,691,069	1,202,163	655,152	1,692,466	618,953	(121,095)	352,718	324,193	597,183
Change in Investment in Joint Venture	(285,481)	(346,431)	(493,063)	(59,956)	(223,077)	(183,932)	1,171,808	(2,071,522)	1,248,544	4,794,438
Total Revenue	53,828,688	56,999,166	56,521,011	57,751,371	45,225,516	43,680,467	44,358,708	42,901,798	47,184,584	48,842,610
Expenses:										
Provision for Claims and Claim Adjustment Expense	17,923,804	27,716,260	29,331,266	27,208,859	9,291,311	6,999,622	6,677,234	10,589,937	8,838,158	(97,461)
Assessment for Participation in Municipal Excess										
Liability Residual Claims Fund	8,521,017	9,413,237	11,233,172	9,933,817	11,824,698	16,384,865	12,178,967	11,222,440	14,858,457	12,247,851
Insurance Premiums	16,345,493	15,781,178	16,521,667	16,599,145	16,140,890	15,709,983	16,638,026	18,926,665	19,783,632	19,987,434
Claims Administration	931,440	1,025,146	1,051,947	1,066,103	1,075,156	1,093,718	1,148,515	1,165,389	1,154,900	1,142,848
Other Contractual Services	1,765,584	2,143,771	2,600,113	2,421,972	2,176,048	2,445,527	2,333,285	2,321,010	2,407,344	2,513,117
Non-Contractual Expenses	401,149	179,726	79,312	100,833	75,844	87,923	107,039	207,089	269,856	193,597
Administration	837,282	858,049	881,786	899,276	901,582	918,536	935,607	954,319	1,016,726	1,124,916
Insurance Brokerage Expense	578,707	439,424	451,508	460,538	460,538	469,749	479,144	488,727	498,502	508,472
Risk Management Fees	369,203	403,655	429,608	430,169	340,001	346,429	337,244	337,833	332,003	336,323
Total Expenses	47,673,679	57,960,446	62,580,379	59,120,712	42,286,068	44,456,352	40,835,061	46,213,409	49,159,578	37,957,097
Change in Net Position	\$ 6,155,009	\$ (961,280)	\$ (6,059,368)	\$ (1,369,341)	\$ 2,939,448	\$ (775,885)	\$ 3,523,647	\$ (3,311,611)	\$ (1,974,994)	\$ 10,885,513

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, 2016  
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total number of members	18	18	19	19	19	19	19	19	19	19
Total employees	39,552	38,236	39,164	39,942	37,425	35,826	35,342	34,651	34,273	34,072
Total annual payrolls	\$ 2,461,081,424	\$ 2,655,980,661	\$ 2,757,613,822	\$ 2,840,076,088	\$ 2,927,920,398	\$ 2,801,787,698	\$ 2,858,665,559	\$ 2,832,850,557	\$ 2,835,141,051	\$ 2,835,141,051
Total member assessments	\$ 50,629,314	\$ 54,672,772	\$ 55,800,916	\$ 57,150,605	\$ 43,750,392	\$ 43,242,670	\$ 43,305,703	\$ 44,627,686	\$ 45,610,032	\$ 43,450,490
Total number of claims	1,050	999	1,051	1,057	566	730	485	498	547	365
Total reported losses	\$ 30,367,257	\$ 31,892,670	\$ 27,916,484	\$ 27,309,013	\$ 13,935,558	\$ 12,469,979	\$ 9,348,192	\$ 6,478,556	\$ 6,466,583	\$ 3,901,207

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, 2016  
(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.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Property	\$ 1,694,448	\$ 1,374,085	\$ 943,217	\$ 1,573,788	\$ 2,750,317	\$ 2,867,601	\$ 2,015,047	\$ 3,245,003	\$ 3,331,885	\$ 3,891,540
Liability	3,714,117	5,592,201	2,144,344	7,294,066	4,668,810	6,204,320	1,956,876	1,060,000	653,118	7,500
Workers' Compensation	10,937,509	12,278,147	7,949,595	5,282,356	6,381,177	3,390,024	4,605,555	2,156,820	2,481,580	2,167
Faithful Performance Bond	217,855	1,100,000	1,018,638	324,956		8,034	770,714	16,344		
Public Officials' Liability	<u>13,803,328</u>	<u>11,548,237</u>	<u>15,860,690</u>	<u>12,833,847</u>	<u>135,254</u>			<u>389</u>		
Total	<u>\$ 30,367,257</u>	<u>\$ 31,892,670</u>	<u>\$ 27,916,484</u>	<u>\$ 27,309,013</u>	<u>\$ 13,935,558</u>	<u>\$ 12,469,979</u>	<u>\$ 9,348,192</u>	<u>\$ 6,478,556</u>	<u>\$ 6,466,583</u>	<u>\$ 3,901,207</u>
Total number of claims	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>498</u>	<u>547</u>	<u>365</u>
Average cost per claim	<u>\$ 28,921</u>	<u>\$ 31,925</u>	<u>\$ 26,562</u>	<u>\$ 25,836</u>	<u>\$ 24,621</u>	<u>\$ 17,082</u>	<u>\$ 19,275</u>	<u>\$ 13,009</u>	<u>\$ 11,822</u>	<u>\$ 10,688</u>

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, 2016  
(Unaudited)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Property	107	38	27	40	91	217	43	70	116	133
Liability	275	293	355	371	300	332	278	291	290	161
Workers' Compensation	230	195	226	184	170	180	159	134	139	69
Faithful Performance Bond	3	1	2	3		1	5	2	2	2
Public Officials' Liability	<u>435</u>	<u>472</u>	<u>441</u>	<u>459</u>	<u>5</u>			<u>1</u>		
Total	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>498</u>	<u>547</u>	<u>365</u>
Claims settled in full	840	820	871	870	468	607	394	377	325	214
Claims pending	<u>210</u>	<u>179</u>	<u>180</u>	<u>187</u>	<u>98</u>	<u>123</u>	<u>91</u>	<u>121</u>	<u>222</u>	<u>151</u>
Total	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>730</u>	<u>485</u>	<u>498</u>	<u>547</u>	<u>365</u>

Source - Joint Insurance Fund - Third Party Claims Administrator