

Municipal Excess Liability
Joint Insurance Fund
Parsippany, New Jersey

Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and 2013

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
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INTRODUCTORY SECTION



Municipal Excess Liability Joint Insurance Fund

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

May 1, 2015

Executive Committee
 Municipal Excess Liability Joint Insurance Fund
 9 Campus Drive, Suite 16
 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, 2014 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.

Economic Conditions and Outlook

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

During 2013, the MEL formed a special claims committee to expedite and manage the payment of flood claims resulting from Tropical Storm Sandy. Committee met frequently throughout 2014 to keep the process moving forward. The MEL also was in continuous discussion with excess carrier to move toward resolution of the claims. Effective January 1, 2014, the MEL Board voted to increase its flood aggregate limit to \$75,000,000.

In 2014, the MEL entered into a contract with a vendor to migrate its underwriting data to an “on-line underwriting database”. This allows members to update and review its underwriting information at any time.

The MEL Board began the process of establishing a list of qualified vendors for members to select from when responding to a property damage emergency. Although emergency services falls outside of the bidding law, pre-qualifying a list of vendor will assist members to respond quickly to emergencies.

The MEL’s Loss Control programs continued with the Board awarding a contract to Rutgers to conduct a Cyber Liability study to research and develop “Best Practices” that can be employed by New Jersey local government unit officials to identify and manage risks related to the use of “technology” in local government activities; awarding a contract to VCS to film a Safety Videos, called “Slips & Falls” that targets the New Jersey Municipal Risk; and a grant to Rutgers for the development of a Crossing Guard Training program for all New Jersey towns.

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

MEL investments are made in accordance with the Local Fiscal Affairs Law and the Fund'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 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

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, 2014, the MEL's portfolio consisted of the following:

	Amount	Percentage of Total
Checking Accounts	\$ 12,502,959	17.33%
New Jersey Cash Management	6,952,737	9.64%
Investments	52,695,265	73.03%
	\$ 72,150,961	100.00%

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

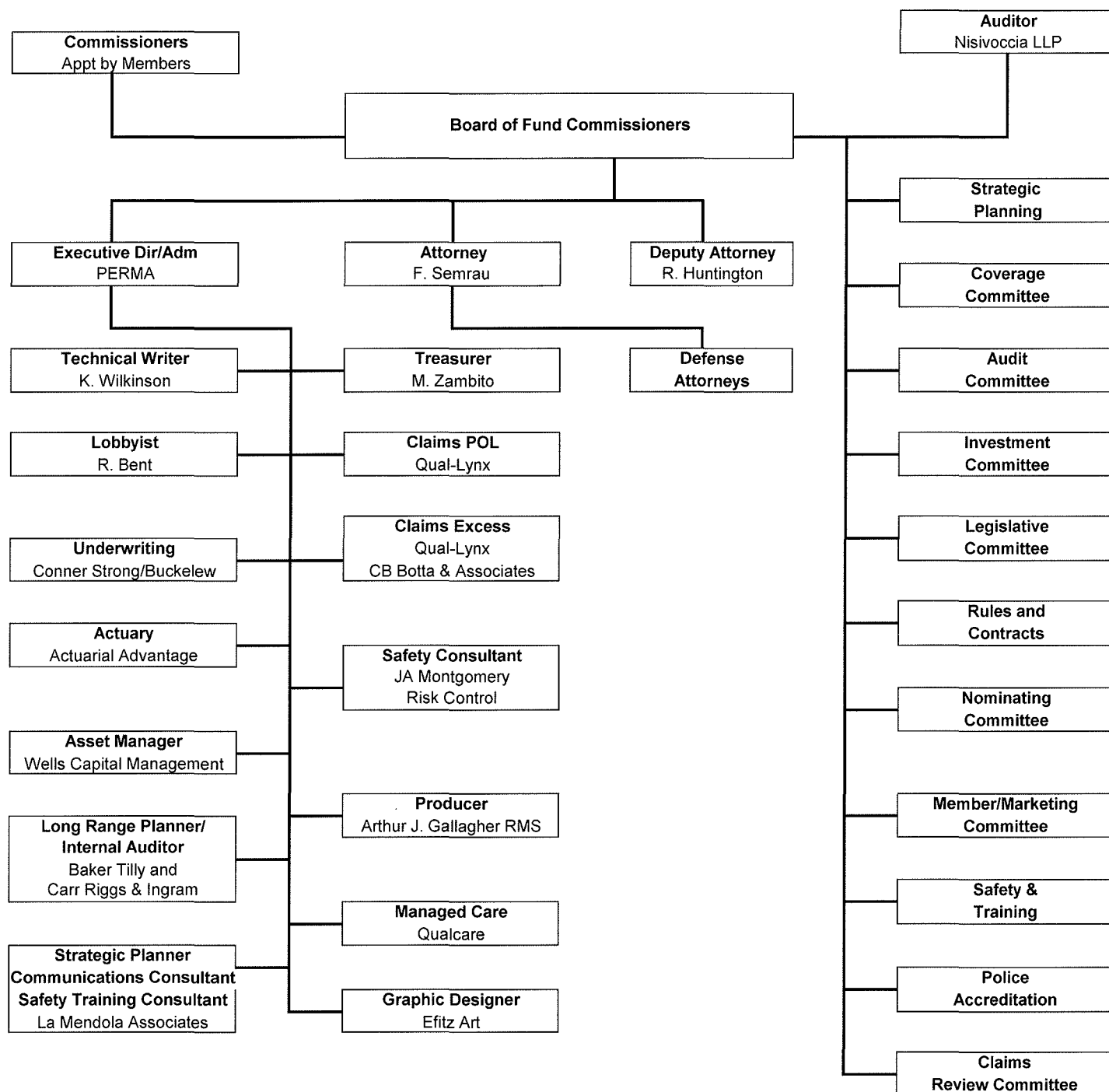
MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2014

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
Reno Wilkins	Fund Commissioner
Mauro Tucci	Fund Commissioner
Andrew Brannen	Fund Commissioner
Joseph D'Arco	Fund Commissioner
John Salvatore	Fund Commissioner
William Cottman	Fund Commissioner
Cynthia Ege	Fund Commissioner
Roger Butler	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
Qual-Lynx	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
 Wells Capital Management	 Asset Manager

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2014

R. Bent	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 2014 ORGANIZATIONAL CHART



MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
MEMBERSHIP LISTING
AS OF DECEMBER 31, 2014

Atlantic County Municipal Joint Insurance Fund (41 Municipalities)

Bergen County Municipal Joint Insurance Fund (38 Municipalities)

Burlington County Municipal Joint Insurance Fund (26 Municipalities)

Camden County Municipal Joint Insurance Fund (34 Members)

Central Jersey Joint Insurance Fund (9 Municipalities)

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

Mid Jersey Municipal Joint Insurance Fund (13 Municipalities)

Monmouth Municipal Joint Insurance Fund (38 Municipalities)

Morris County Municipal Joint Insurance Fund (42 Municipalities)

New Jersey First Responders Joint Insurance Fund (34 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 (25 Municipalities and 1 County)

South Bergen Municipal Joint Insurance Fund (23 Municipalities)

Suburban Essex Municipal Joint Insurance Fund (10 Member Entities)

Suburban Municipal Joint Insurance Fund (10 Municipalities)

FINANCIAL SECTION



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 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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, 2014 and 2013, 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, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2015 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
May 1, 2015

Nirvana 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, 2014 and 2013. 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, 2014, 2013 and 2012.

SUMMARY OF STATEMENT OF NET POSITION

	2014	2013	13/14 Percent Change	2012	12/13 Percent Change
ASSETS:					
Cash and Cash Equivalents, Investments and Accrued Interest Receivable	\$ 72,150,961	\$ 64,220,602	12.35%	\$ 73,556,074	-12.69%
Assessments Receivable	2,099,402	7,435,592	-71.77%	2,065,710	259.95%
Investment in Joint Venture		2,071,522	-100.00%	899,714	130.24%
Other Assets	1,684,919	7,300,543	-76.92%	3,635,456	100.82%
Total	75,935,282	81,028,259	-6.29%	80,156,954	1.09%
LIABILITIES:					
Loss Reserves	53,667,187	51,934,041	3.34%	57,104,193	-9.05%
Other Liabilities and Reserves	1,180,003	4,694,515	-74.86%	2,176,705	115.67%
Total	54,847,190	56,628,556	-3.15%	59,280,898	-4.47%
NET POSITION	\$ 21,088,092	\$ 24,399,703	-13.57%	\$ 20,876,056	16.88%

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

	2014	2013	12/13 Percent Change	2012	12/13 Percent Change
Operating Revenue:					
Assessments and Other Income	<u>\$ 44,620,602</u>	<u>\$ 43,307,995</u>	3.03%	<u>\$ 43,245,446</u>	0.14%
Operating Expenses:					
Provision for Claims & Claims Expense	10,589,937	6,677,234	58.60%	6,999,622	-4.61%
Assessment for Participation in RCF	11,222,440	12,178,967	-7.85%	16,384,865	-25.67%
Insurance Premiums	18,926,665	16,638,026	13.76%	15,709,983	5.91%
Administrative and Operating Expenses	<u>5,474,367</u>	<u>5,340,834</u>	2.50%	<u>5,361,882</u>	-0.39%
Total Operating Expenses	<u>46,213,409</u>	<u>40,835,061</u>	13.17%	<u>44,456,352</u>	-8.15%
Operating Income/(Loss)	(1,592,807)	2,472,934	-164.41%	(1,210,906)	304.22%
Non-Operating Income/(Expenses):					
Change in Investment in Joint Venture	(2,071,522)	1,171,808	276.78%	(183,932)	737.09%
Investment Income	<u>352,718</u>	<u>(121,095)</u>	391.27%	<u>618,953</u>	-119.56%
Increase/(Decrease) in Net Position	<u>\$ (3,311,611)</u>	<u>\$ 3,523,647</u>	-193.98%	<u>\$ (775,885)</u>	554.15%

The Fund's asset base decreased by 6.29% during the reporting period and cash and investments increased by 12.35%. The "Investment in Joint Venture" represents the Fund's share of net assets in the Municipal Excess Liability Residual Claims Fund. The value of this asset decreased by 100.00% reflecting a decrease in equity retained by that entity. The decrease is due to several factors: the newly appointed Workers' Compensation Supervisor uses a different reserve methodology that tends to place higher estimates on claims at an earlier point in maturity thus throwing off the historical IBNR patterns used by the actuary, and adverse development in the MEL Liability and Workers' Compensation lines of coverage caused ultimate losses for RCF fund years through 2013 to increase.

The Fund's liabilities decreased by 3.15% primarily due to a 74.86% decrease in other liabilities and reserves.

For 2014 assessments increased by 3.03%. For 2013 assessments increased slightly by .14%. The provision for claims and claims expense increased by 58.60%. Insurance premiums increased by 13.76%, while administrative and operating expenses increased by 2.50%. Investment income increased by 391.27% indicating a slightly better interest rate environment. For 2013, 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 \$21,088,092 in 2014 compared to \$24,399,703 at the end of 2013; a decrease of 13.57%. 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 is not expected to have a significant negative impact on its operations resulting from Hurricane Sandy. Federal aid to constituent members through FEMA and reinsurance coverage are expected to cover 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. XL Specialty Insurance Company agreed to provide the coverage based on the 2010 pricing and agreed to a two-year commitment. Subsequently, XL Specialty Insurance Company extended the program through 2014 at the same overall pricing.

BASIC FINANCIAL STATEMENTS

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATEMENT OF NET POSITION

	December 31	
	2014	2013
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 19,455,696	\$ 12,285,072
Investments	52,695,265	51,935,530
Assessments Receivable	2,099,402	7,435,592
Notes Receivable	145,583	145,583
Accrued Interest Receivable	114,724	88,294
Insurance Receivables	551,471	5,480,949
Due from Municipal Excess Liability Residual Claims Fund	333,931	844,960
Prepaid Expenses		4,758
Investment in Joint Venture		2,071,522
Total Current Assets	<u>75,396,072</u>	<u>80,292,260</u>
Long-Term Assets:		
Notes Receivable	539,210	735,999
Total Long-Term Assets	<u>539,210</u>	<u>735,999</u>
Total Assets	<u>75,935,282</u>	<u>81,028,259</u>
<u>LIABILITIES:</u>		
Loss Reserves	53,667,187	51,934,041
Accounts Payable - Vendors	231,920	257,146
Other Liabilities	948,083	4,437,369
Total Liabilities	<u>54,847,190</u>	<u>56,628,556</u>
<u>NET POSITION:</u>		
Unrestricted	<u>21,088,092</u>	<u>24,399,703</u>
Total Net Position	<u><u>\$ 21,088,092</u></u>	<u><u>\$ 24,399,703</u></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	
	2014	2013
Operating Revenue:		
Assessments from Participating Members	\$ 44,620,104	\$ 43,307,995
Other Income	498	
Total Operating Revenue	44,620,602	43,307,995
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$8,342,067 and \$8,288,040 for 2014 and 2013, respectively)	10,589,937	6,677,234
Assessment for Participation in Municipal Excess Liability		
Residual Claims Fund	11,222,440	12,178,967
Insurance Premiums	18,926,665	16,638,026
Claims Administration	1,165,389	1,148,515
Other Contractual Services	1,550,194	1,581,396
Non-Contractual Expenses	207,089	107,039
Administration	954,319	935,607
Insurance Brokerage Expense	488,727	479,144
Managed Care	487,095	475,203
Reinsurance Manager	282,221	276,686
Property Grants	1,500	
Risk Management Fees	337,833	337,244
Total Operating Expenses	46,213,409	40,835,061
Operating Income/(Loss)	(1,592,807)	2,472,934
Non-Operating Income/(Expenses):		
Change in Investment in Joint Venture	(2,071,522)	1,171,808
Investment Income/(Loss)	352,718	(121,095)
Change in Net Position	(3,311,611)	3,523,647
Net Position - Beginning of Year	24,399,703	20,876,056
Net Position - End of Year	\$ 21,088,092	\$ 24,399,703

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	
	2014	2013
Cash Flows from Operating Activities:		
Assessments Collected	\$ 49,956,294	\$ 37,938,113
Other Income	498	
Refunds	10,487,164	14,617,498
Claims Expense	(19,343,955)	(26,464,884)
Professional and Administrative Expenses	(8,787,332)	(2,406,647)
Insurance Premiums	(13,997,187)	(20,692,532)
Municipal Excess Liability Residual Claims Fund	(10,711,411)	(12,117,631)
Net Cash Provided/(Used) by Operating Activities	7,604,071	(9,126,083)
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(6,303,658)	(15,385,414)
Proceeds from Sales and Maturities of Investment Securities	5,695,224	20,251,591
Investment Income	174,987	431,520
Net Cash Provided/(Used) by Investing Activities	(433,447)	5,297,697
Net Increase/(Decrease) in Cash and Cash Equivalents	7,170,624	(3,828,386)
Cash and Cash Equivalents, January 1	12,285,072	16,113,458
Cash and Cash Equivalents, December 31	\$ 19,455,696	\$ 12,285,072
Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:		
Operating Income/(Loss)	\$ (1,592,807)	\$ 2,472,934
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	5,336,190	(5,369,882)
Insurance Receivables	4,929,478	(4,054,506)
Due from Municipal Excess Liability Residual Claims Fund	511,029	61,336
Prepaid Expense	4,758	87,459
Notes Receivable	196,789	328,918
Increase/(Decrease) in Liabilities:		
Loss Reserves	1,733,146	(5,170,152)
Accounts Payable	(25,226)	145,182
Other Liabilities	(3,489,286)	2,372,628
Net Cash Provided/(Used) by Operating Activities	\$ 7,604,071	\$ (9,126,083)

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, 2014

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) Public Officials'/Employment Practices Liability (For Fund Year 2011)
- e) Excess Property
- f) Volunteer Directors and Officers Liability

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 page.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

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

Reporting Entity

Governmental Accounting Standards Board publication Codification of Government Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government and financial accountability. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. 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 certain investments at fair value and records the unrealized gains and losses as a part of investment income. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties.

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, 2014
(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 \$18,926,665, and \$16,638,026 for the years ended December 31, 2014 and 2013, respectively. The amount deducted from claims liabilities for reinsurance was \$4,182,194 and \$996,814 at December 31, 2014 and 2013, 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, 2014
(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, 2014. 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, 2014 and 2013, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2014</u>	<u>2013</u>
Case Reserves	\$ 14,023,662	\$ 12,044,965
Losses Incurred but not Reported	<u>39,643,525</u>	<u>39,889,076</u>
Total Loss Reserves	<u>\$ 53,667,187</u>	<u>\$ 51,934,041</u>

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

	<u>2014</u>	<u>2013</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 51,934,041</u>	<u>\$ 57,104,193</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	16,964,644	14,995,169
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(6,374,707)</u>	<u>(8,317,935)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>10,589,937</u>	<u>6,677,234</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	1,837,362	1,218,330
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>7,019,429</u>	<u>10,629,056</u>
Total Payments	<u>8,856,791</u>	<u>11,847,386</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 53,667,187</u>	<u>\$ 51,934,041</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

NOTE 3: LOSS RESERVES (Cont'd)

In accordance with the method allowed by GASB Statement No. 10, the Fund elected to discount its loss reserves. 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, 2014, \$58,008,902 of unpaid claims and claim adjustment expenses are presented at their net present value of \$53,667,187. These claims are discounted at an annual rate of 1.79%.

At December 31, 2013, \$58,523,626 of unpaid claims and claim adjustment expenses are presented at their net present value of \$51,934,041. These claims are discounted at an annual rate of 3%.

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.

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, 2014
(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, 2014 and 2013, cash and cash equivalents of the Fund consisted of the following:

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
Checking Accounts	\$ 10,394,790	\$ 2,288,062
Money Market Account	2,108,169	50,037
Cash Management Funds	<u>6,952,737</u>	<u>9,946,973</u>
	<u>\$ 19,455,696</u>	<u>\$ 12,285,072</u>

The carrying amount of the Fund's cash and cash equivalents as of December 31, 2014 and 2013 was \$19,455,696 and \$12,285,072 respectively. The bank balances as of December 31, 2014 and 2013 were \$18,738,553 and \$10,232,875, respectively. The \$6,952,737 and \$9,946,973 invested with the State of New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 5: INVESTMENTS

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

- (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, 2014
(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 Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; 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 statute; 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. 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, 2014 and 2013 consisted of the following:

	Balance Dec. 31, 2014	Weighted Average Maturity in Months	Balance Dec. 31, 2013	Weighted Average Maturity in Months
United States Treasury Notes	\$ 45,141,195	43.85	\$ 37,781,583	41.02
Federal Home Loan Bank Notes	2,498,570	12.00	3,000,090	12.00
Federal National Mortgage Association Notes	5,055,500	60.00	7,114,880	55.79
Federal Home Loan Mortgage Corporation Notes	4,038,976	29.83	4,038,976	29.83
	<u>\$ 52,695,265</u>	<u>43.89</u>	<u>\$ 51,935,530</u>	<u>39.10</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(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 2011 - Property	\$ 103,427
Fund Year 2011 - Liability	1,010,891
Fund Year 2012 - Liability	1,245,580
Fund Year 2013 - Liability	445,312
Fund Year 2014 - Property	658,579
Fund Year 2014 - Liability	362,015

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 2014, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2010 Fund Year. Loss reserves totaling \$11,222,440 at June 30, 2014, were assumed as of June 30, 2014 in exchange for the Fund's assessment for participation in the Residual Fund of \$11,222,440.

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

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

During 2013, the Residual Fund assumed the obligation for discharging the Fund's liabilities for claims and losses for the 2009 Fund Year. Loss reserves totaling \$12,178,967 at June 30, 2013, were assumed as of June 30, 2013 in exchange for the Fund's assessment for participation in the Residual Fund of \$12,178,967.

Selected, summarized financial information for the Residual Fund as of December 31, 2013 is as follows:

Total Assets	\$ 81,021,501
Net Position	\$ 5,137,729
Total Revenue	\$ 24,991,365
Total Expenses	\$ 22,012,262
Change in Net Position	\$ 2,979,103
Member Dividends	\$ 400,000

The unaudited financial statements of the Residual Fund for the calendar year 2014 reflect a negative Change in Net Position of \$5,047,696 to bring the Residual Fund's Net Position to \$90,033 at December 31, 2014. The negative change in operations appears to be the result of a change in reserving philosophy and negative development in liability and workers' compensation coverages.

The Fund's equity interest in the Residual Fund was \$ (411,902) and \$2,071,522 as of December 31, 2014 and 2013, 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 16
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, 2014
(Continued)

NOTE 10: NOTES RECEIVABLE

The Fund entered into a Promissory Note agreement with the Township of Robbinsville dated July 13, 2010 to fund the Township's portion of a claim settlement. The total amount of the settlement was \$280,000. The Township has agreed to pay the Fund over five years at 2.3% interest. The payments of \$56,000 commenced on January 2, 2011.

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, 2013, 2014, and 2015, 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 \$91,666.66 over the next 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 \$20,730.56 over the next three years. The repayment process will start on May 31, 2014 and the succeeding two years on March 31st of each year for that amount up to and including March 31, 2016. For a total of \$62,190.77.

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.

REQUIRED SUPPLEMENTARY INFORMATION

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
COMPARATIVE RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Unaudited)

	Property		Liability		Faithful Performance Bond		Worker's Compensation		Public Officials/ Employment Practices		Totals	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Unpaid claims and claim adjustment expenses at beginning of year	\$ 682,068	\$ 1,551,743	\$ 21,429,658	\$ 17,544,819	\$ 7,202	\$ 318,527	\$ 20,531,721	\$ 21,642,446	\$ 9,283,392	\$ 16,046,658	\$ 51,934,041	\$ 57,104,193
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current period	2,878,895	2,312,858	6,534,498	6,111,468			7,550,862	6,570,843	389		16,964,644	14,995,169
Increases/(decreases) in provision for insured events of prior years	(947,055)	(127,367)	1,492,641	1,006,238	94,414	(311,325)	(4,165,193)	(6,366,744)	(2,849,514)	(2,518,737)	(6,374,707)	(8,317,935)
Total incurred claims and claim adjustment expenses	1,931,840	2,185,491	8,027,139	7,117,706	94,414	(311,325)	3,385,669	204,099	(2,849,125)	(2,518,737)	10,589,937	6,677,234
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current period	1,836,955	1,218,321					18	9	389		1,837,362	1,218,330
Claims and claim adjustment expenses attributable to insured events of the current period	78,336	1,836,845	5,661,963	3,232,867	94,262		953,428	1,314,815	231,440	4,244,529	7,019,429	10,629,056
Total payments	1,915,291	3,055,166	5,661,963	3,232,867	94,262		953,446	1,314,824	231,829	4,244,529	8,856,791	11,847,386
Unpaid claims and claim adjustment expenses at end of year	\$ 698,617	\$ 682,068	\$ 23,794,834	\$ 21,429,658	\$ 7,354	\$ 7,202	\$ 22,963,944	\$ 20,531,721	\$ 6,202,438	\$ 9,283,392	\$ 53,667,187	\$ 51,934,041

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

	Fiscal Period Ended December 31, 2014 and Policy Period Ended December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Required contribution and investment revenue:										
Earned	\$ 45,950,444	\$ 48,995,359	\$ 52,370,052	\$ 55,952,520	\$ 56,831,012	\$ 57,870,179	\$ 44,036,278	\$ 43,461,695	\$ 43,350,061	\$ 44,653,533
Ceded	15,444,162	18,286,578	16,461,478	15,914,456	16,565,698	16,409,301	15,926,686	16,054,304	16,628,567	18,933,789
	<u>30,506,282</u>	<u>30,708,781</u>	<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>27,407,391</u>	<u>26,721,494</u>	<u>25,719,744</u>
Unallocated expenses	4,450,051	4,345,056	4,730,526	5,027,496	5,419,816	5,449,446	5,021,589	5,218,786	5,261,714	5,442,062
Estimated claims and expenses, end of policy year:										
Incurred	15,802,759	18,800,966	22,047,820	26,171,277	26,586,532	26,597,577	20,481,518	27,880,350	14,995,169	16,964,638
Ceded				66,276	5,054	59,968	2,652,457	10,953,464		
Net Incurred	<u>15,802,759</u>	<u>18,800,966</u>	<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>
Paid (cumulative) as of:										
End of policy year	1,075,029	2,113,155	1,266,553	2,724,964	1,803,382	3,185,765	1,499,370	1,496,244	1,218,330	1,837,362
One year later	4,359,007	5,509,264	6,473,414	6,562,159	5,772,692	6,774,613	2,730,660	3,494,160	2,004,303	
Two years later	8,008,612	8,011,974	15,709,789	12,805,334	10,446,895	13,761,525	3,509,534	3,661,571		
Three years later	13,482,131	14,497,811	21,883,494	17,189,204	18,245,500	18,940,810	6,173,844			
Four years later	15,441,568	16,816,278	23,496,607	20,942,687	20,918,474	22,342,545				
Five years later	17,401,005	16,816,278	23,496,607	20,942,687	20,918,474					
Six years later	17,401,005	16,816,278	23,496,607	20,942,687						
Seven years later	17,401,005	16,816,278	23,496,607							
Eight years later	17,401,005	16,816,278								
Nine years later	17,401,005									
Reestimated ceded claims and expenses	11,233,172	9,933,817	11,781,164	18,217,742	20,601,016	27,096,053	1,926,693	3,539,996		
Reestimated incurred claims and expense:										
End of policy year	15,802,759	18,800,966	22,047,820	26,105,001	26,581,478	26,537,609	17,829,061	16,926,886	14,995,169	16,964,638
One year later	18,540,391	20,319,336	27,146,776	28,791,814	28,731,045	25,131,425	15,622,139	15,662,386	15,616,435	
Two years later	19,165,944	20,518,928	31,213,869	32,860,267	29,687,807	28,183,952	16,176,988	15,870,592		
Three years later	23,433,499	24,506,741	33,357,562	34,632,894	32,605,145	32,262,330	18,892,599			
Four years later	15,441,568	16,816,278	23,496,607	20,942,687	20,918,474	22,342,546				
Five years later	17,401,005	16,816,278	23,496,607	20,942,687	20,918,474					
Six years later	17,401,005	16,816,278	23,496,607	20,942,687						
Seven years later	17,401,005	16,816,278	23,496,607							
Eight years later	17,401,005	16,816,278								
Nine years later	17,401,005									
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ 1,598,246</u>	<u>\$ (1,984,688)</u>	<u>\$ 1,448,787</u>	<u>\$ (5,162,314)</u>	<u>\$ (5,663,004)</u>	<u>\$ (4,195,063)</u>	<u>\$ 1,063,538</u>	<u>\$ (1,056,294)</u>	<u>\$ 621,266</u>	<u>\$ -0-</u>

COMBINING SUPPLEMENTARY SCHEDULES

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2014

		Fund Year				
	MEL					
	Aggregate Excess					
	Loss Fund					
	Contingency	2011	2012	2013	2014	Total
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ (23,540)	\$ 4,074,519	\$ 4,642,237	\$ 4,675,663	\$ 6,086,817	\$ 19,455,696
Investments	(74,367)	12,872,015	14,665,522	14,771,121	10,460,974	52,695,265
Assessments Receivable					2,099,402	2,099,402
Notes Receivable	145,583					145,583
Accrued Interest Receivable	30,001	17,782	33,600	18,949	14,392	114,724
Insurance Receivables	467,471		84,000			551,471
Due from Municipal Excess Liability						
Residual Claims Fund	333,931					333,931
Total Current Assets	879,079	16,964,316	19,425,359	19,465,733	18,661,585	75,396,072
Long Term Assets:						
Notes Receivable	539,210					539,210
Total Long-Term Assets	539,210					539,210
Total Assets	1,418,289	16,964,316	19,425,359	19,465,733	18,661,585	75,935,282
<u>LIABILITIES</u>						
Loss Reserves		12,718,755	12,209,021	13,612,131	15,127,280	53,667,187
Accounts Payable			2,841	7,813	221,266	231,920
Other Liabilities		50,156	895,483	2,444		948,083
Total Liabilities		12,768,911	13,107,345	13,622,388	15,348,546	54,847,190
<u>NET POSITION</u>						
Unrestricted/(Deficit)	1,418,289	4,195,405	6,318,014	5,843,345	3,313,039	21,088,092
Total Net Position	\$ 1,418,289	\$ 4,195,405	\$ 6,318,014	\$ 5,843,345	\$ 3,313,039	\$ 21,088,092

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Fund Year					
	MEL Aggregate Excess Loss Fund Contingency	2011	2012	2013	2014	Total
Operating Revenue:						
Assessments from Participating Members			\$ (4,638)	\$ (2,444)	\$ 44,627,186	\$ 44,620,104
Other Income	\$ 498					498
Total Operating Revenue	498		(4,638)	(2,444)	44,627,186	44,620,602
Operating Expenses:						
Provision for Claims and Claim Adjustment Expense	\$ (9,919,788)	\$ 2,715,609	208,206	621,267	16,964,643	10,589,937
Assessment for Participation in Municipal Excess Liability						
Residual Claims Fund	11,222,440					11,222,440
Insurance Premiums/(Refund)			1,664	(8,788)	18,933,789	18,926,665
Claims Administration					1,165,389	1,165,389
Other Contractual Services			29,674		1,520,520	1,550,194
Non-Contractual Expenses				2,631	204,458	207,089
Administration					954,319	954,319
Insurance Brokerage Expense					488,727	488,727
Managed Care					487,095	487,095
Reinsurance Manager					282,221	282,221
Property Grants					1,500	1,500
Risk Management Fees					337,833	337,833
Total Operating Expenses	1,302,652	2,715,609	239,544	615,110	41,340,494	46,213,409
Operating Income/(Loss)	(1,302,154)	(2,715,609)	(244,182)	(617,554)	3,286,692	(1,592,807)
Non-Operating Income/(Expenses):						
Change in Investment in Joint Venture	(2,071,522)					(2,071,522)
Investment Income/(Loss)	99,364	63,997	109,119	53,891	26,347	352,718
Change in Net Position	(3,274,312)	(2,651,612)	(135,063)	(563,663)	3,313,039	(3,311,611)
Net Position - Beginning of Year	4,692,601	6,847,017	6,453,077	6,407,008		24,399,703
Net Position - End of Year	\$ 1,418,289	\$ 4,195,405	\$ 6,318,014	\$ 5,843,345	\$ 3,313,039	\$ 21,088,092

SUPPLEMENTARY DATA

Schedule A

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
HISTORICAL OPERATING RESULTS ANALYSIS

ALL FUND YEARS
DECEMBER 31, 2014

(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 823,593,018	
Supplemental Contributions	862,606	
Other Income (except investments)	<u>186,707</u>	
Total Income		\$ 824,642,331
2. <u>Incurred Liabilities:</u>		
Claims:		
Paid	263,982,752	
Case Reserves	22,547,571	
IBNR Reserve	<u>39,643,525</u>	
Subtotal		\$ 326,173,848
Less Excess Insurance:		
Received	27,829,077	
Receivable	551,471	
Recoverable	<u>4,182,194</u>	
Subtotal		<u>32,562,742</u>
Limited Incurred Claims (claims-excess)		293,611,106
Expenses:		
Excess Insurance Premiums	433,783,965	
Administrative	90,262,579	
Worker's Compensation	2,798,803	
Property Grant	<u>270,408</u>	
Subtotal Expenses		<u>527,115,755</u>
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		<u>820,726,861</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		3,915,470
4. <u>Investment Income (Earned)</u>		<u>57,508,395</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		61,423,865
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>\$ 17,158,279</u>

Schedule B

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
HISTORICAL BALANCE SHEET
ALL FUND YEARS
DECEMBER 31, 2014
(Unaudited)

1. Assets:

Cash and Investments (1)	\$ 72,150,961		
		\$ 72,150,961	
<u>Receivables (1):</u>			
Excess Insurance	551,471		
Assessments	2,099,402		
Other	1,545,350		
Total Receivables		4,196,223	
Prepaid Expenses (1)			
Other Assets (1)			
<u>Total Assets</u>			\$ 76,347,184

2. Liabilities:Claims:

Case Reserves	18,365,377		
IBNR Reserve (2)	39,643,525		
Subtotal Claims		58,008,902	

Expenses (unpaid) (1):

Excess Insurance			
Administrative	231,920		
Subtotal Expenses		231,920	

Other Liabilities:

Unearned Contributions			
Authorized Return of Surplus			
Miscellaneous Liabilities (1)	948,083		
Subtotal		948,083	

<u>Total Liabilities</u>			59,188,905
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NET CURRENT SURPLUS/(DEFICIT) = 1-2

\$ 17,158,279

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, 2014
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 648,671,856	
Supplemental Contributions	862,606	
Other Income (except investments)	<u>186,707</u>	
Total Income		\$ 649,721,169
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	249,021,177	
Case Reserves		
IBNR Reserve		
Subtotal	<u></u>	\$ 249,021,177
Less Excess Insurance:		
Received	26,544,582	
Receivable	551,471	
Recoverable		
Subtotal	<u></u>	<u>27,096,053</u>
Limited Incurred Claims (claims-excess)		221,925,124
<u>Expenses:</u>		
Excess Insurance Premiums	366,240,619	
Administrative	71,239,393	
Workers Compensation	909,325	
Property Grant	<u>238,921</u>	
Subtotal Expenses		<u>438,628,258</u>
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		<u>660,553,382</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		(10,832,213)
4. <u>Investment Income (Earned)</u>		56,927,990
4a. <u>Transfer</u>		<u></u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		46,095,777
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>\$ 1,830,191</u>

Schedule C

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2011
DECEMBER 31, 2014
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,750,392	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,750,392
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	7,258,972	
Case Reserves	8,603,279	
IBNR Reserve	5,908,122	
Subtotal		\$ 21,770,373
Less Excess Insurance:		
Received	1,085,128	
Receivable		
Recoverable	841,565	
Subtotal		1,926,693
Limited Incurred Claims (claims-excess)		19,843,680
<u>Expenses:</u>		
Excess Insurance Premiums	15,926,686	
Administrative	4,562,589	
Worker's Compensation	459,000	
Property Grant		
Subtotal Expenses		20,948,275
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		40,791,955
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		2,958,437
4. <u>Investment Income (Earned)</u>		285,886
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		3,244,323
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 3,244,323

Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2012
DECEMBER 31, 2014
(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,238,030	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,238,030
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	3,860,938	
Case Reserves	7,155,647	
IBNR Reserve	9,260,053	
Subtotal		\$ 20,276,638
Less Excess Insurance:		
Received	199,367	
Receivable		
Recoverable	3,340,629	
Subtotal		3,539,996
Limited Incurred Claims (claims-excess)		16,736,642
<u>Expenses:</u>		
Excess Insurance Premiums	16,054,304	
Administrative	4,720,619	
Workers Compensation	468,180	
Property Grant	29,987	
Subtotal Expenses		21,273,090
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		38,009,732
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		5,228,298
4. <u>Investment Income (Earned)</u>		223,665
4a. <u>Transfer</u>		
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		5,451,963
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 5,451,963

Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2013

DECEMBER 31, 2014

(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 43,305,554	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 43,305,554
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	2,004,303	
Case Reserves	3,582,221	
IBNR Reserve	11,118,746	
Subtotal		\$ 16,705,270
Less Excess Insurance:		
Received		
Receivable		
Recoverable		
Subtotal		
Limited Incurred Claims (claims-excess)		16,705,270
<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)		38,595,551
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		4,710,003
4. <u>Investment Income (Earned)</u>		44,507
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		4,754,510
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 4,754,510

Schedule C

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2014

DECEMBER 31, 2014

(Unaudited)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 44,627,186	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 44,627,186
2. <u>Incurred Liabilities:</u>		
Claims:		
Paid	1,837,362	
Case Reserves	3,206,424	
IBNR Reserve	13,356,604	
Subtotal		\$ 18,400,390
Less Excess Insurance:		
Received		
Receivable		
Recoverable		
Subtotal		
Limited Incurred Claims (claims-excess)		18,400,390
Expenses:		
Excess Insurance Premiums	18,933,789	
Administrative	4,953,467	
Workers' Compensation	487,095	
Property Grant	1,500	
Subtotal Expenses		24,375,851
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		42,776,241
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		1,850,945
4. <u>Investment Income (Earned)</u>		26,347
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		1,877,292
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 1,877,292

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2011
DECEMBER 31, 2014
 (Unaudited)

Coverages and Other Accounts								
	Property	Liability	Worker's Compensation	Volunteer Directors' & Officers' Liability and Optional Excess Public Officials/ Employment Practices	Faithful Performance Bond	Contingency	General and Administrative	Total
1. <u>Underwriting Income</u>								
Regular Contributions (earned)	\$ 7,969,794	\$ 13,806,768	\$ 15,194,253	\$ 1,012,025	\$ 228,260	\$ 445,762	\$ 5,093,530	\$ 43,750,392
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>7,969,794</u>	<u>13,806,768</u>	<u>15,194,253</u>	<u>1,012,025</u>	<u>228,260</u>	<u>445,762</u>	<u>5,093,530</u>	<u>43,750,392</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,750,317	7,958,108	9,000,001	135,254				19,843,680
Expenses	5,329,724	6,946,722	3,246,520	862,830			4,562,479	20,948,275
Total Liabilities	<u>8,080,041</u>	<u>14,904,830</u>	<u>12,246,521</u>	<u>998,084</u>			<u>4,562,479</u>	<u>40,791,955</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(110,247)</u>	<u>(1,098,062)</u>	<u>2,947,732</u>	<u>13,941</u>	<u>228,260</u>	<u>445,762</u>	<u>531,051</u>	<u>2,958,437</u>
4. <u>Adjustments</u>								
Investment Income	6,820	87,171	182,558	778	5,918	1,084	1,557	285,886
Transfers								
Total Adjustments	<u>6,820</u>	<u>87,171</u>	<u>182,558</u>	<u>778</u>	<u>5,918</u>	<u>1,084</u>	<u>1,557</u>	<u>285,886</u>
5. Gross Operating Surplus	<u>(103,427)</u>	<u>(1,010,891)</u>	<u>3,130,290</u>	<u>14,719</u>	<u>234,178</u>	<u>446,846</u>	<u>532,608</u>	<u>3,244,323</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (103,427)</u>	<u>\$ (1,010,891)</u>	<u>\$ 3,130,290</u>	<u>\$ 14,719</u>	<u>\$ 234,178</u>	<u>\$ 446,846</u>	<u>\$ 532,608</u>	<u>\$ 3,244,323</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2012
DECEMBER 31, 2014
 (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)	\$ 8,455,996	\$ 12,929,862	\$ 15,427,982	\$ 825,653	\$ 217,287	\$ 340,487	\$ 5,040,763	\$ 43,238,030
Supplemental Contributions								
Other Income (except investments)								
Total Income	<u>8,455,996</u>	<u>12,929,862</u>	<u>15,427,982</u>	<u>825,653</u>	<u>217,287</u>	<u>340,487</u>	<u>5,040,763</u>	<u>43,238,030</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,521,515	7,457,093	6,750,000		8,034			16,736,642
Expenses	5,911,970	6,763,117	3,056,273	821,111			4,720,619	21,273,090
Total Liabilities	<u>8,433,485</u>	<u>14,220,210</u>	<u>9,806,273</u>	<u>821,111</u>	<u>8,034</u>		<u>4,720,619</u>	<u>38,009,732</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>22,511</u>	<u>(1,290,348)</u>	<u>5,621,709</u>	<u>4,542</u>	<u>209,253</u>	<u>340,487</u>	<u>320,144</u>	<u>5,228,298</u>
4. <u>Adjustments</u>								
Investment Income	8,453	44,768	155,471	1,789	3,143	(152)	10,193	223,665
Transfers								
Total Adjustments	<u>8,453</u>	<u>44,768</u>	<u>155,471</u>	<u>1,789</u>	<u>3,143</u>	<u>(152)</u>	<u>10,193</u>	<u>223,665</u>
5. Gross Operating Surplus	<u>30,964</u>	<u>(1,245,580)</u>	<u>5,777,180</u>	<u>6,331</u>	<u>212,396</u>	<u>340,335</u>	<u>330,337</u>	<u>5,451,963</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ 30,964</u>	<u>\$ (1,245,580)</u>	<u>\$ 5,777,180</u>	<u>\$ 6,331</u>	<u>\$ 212,396</u>	<u>\$ 340,335</u>	<u>\$ 330,337</u>	<u>\$ 5,451,963</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2014
 (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	\$ 5,114,484	\$ 43,305,554
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>5,114,484</u>	<u>43,305,554</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,000,000	7,400,000	7,200,000		105,270			16,705,270
Expenses	6,466,625	6,757,900	3,164,294	714,951			4,786,511	21,890,281
Total Liabilities	<u>8,466,625</u>	<u>14,157,900</u>	<u>10,364,294</u>	<u>714,951</u>	<u>105,270</u>		<u>4,786,511</u>	<u>38,595,551</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>487,502</u>	<u>(461,569)</u>	<u>3,795,514</u>	<u>8,824</u>	<u>112,104</u>	<u>439,655</u>	<u>327,973</u>	<u>4,710,003</u>
4. <u>Adjustments</u>								
Investment Income	729	16,257	27,624	33	884		(1,020)	44,507
Transfers								
Total Adjustments	<u>729</u>	<u>16,257</u>	<u>27,624</u>	<u>33</u>	<u>884</u>		<u>(1,020)</u>	<u>44,507</u>
5. Gross Operating Surplus	<u>488,231</u>	<u>(445,312)</u>	<u>3,823,138</u>	<u>8,857</u>	<u>112,988</u>	<u>439,655</u>	<u>326,953</u>	<u>4,754,510</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ 488,231</u>	<u>\$ (445,312)</u>	<u>\$ 3,823,138</u>	<u>\$ 8,857</u>	<u>\$ 112,988</u>	<u>\$ 439,655</u>	<u>\$ 326,953</u>	<u>\$ 4,754,510</u>

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

FUND YEAR - 2014

DECEMBER 31, 2014

(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)								
Total Income	<u>10,748,818</u>	<u>13,506,831</u>	<u>13,553,663</u>	<u>843,238</u>	<u>210,054</u>	<u>547,797</u>	<u>5,216,785</u>	<u>44,627,186</u>
2. <u>Incurred Liabilities</u>								
Claims (limited incurred)	2,900,001	7,000,000	8,500,000	389				18,400,390
Expenses	8,511,529	6,875,447	3,219,295	816,113			4,953,467	24,375,851
Total Liabilities	<u>11,411,530</u>	<u>13,875,447</u>	<u>11,719,295</u>	<u>816,502</u>			<u>4,953,467</u>	<u>42,776,241</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(662,712)</u>	<u>(368,616)</u>	<u>1,834,368</u>	<u>26,736</u>	<u>210,054</u>	<u>547,797</u>	<u>263,318</u>	<u>1,850,945</u>
4. <u>Adjustments</u>								
Investment Income	4,133	6,601	10,109	(39)	4,168		1,375	26,347
Transfers								
Total Adjustments	<u>4,133</u>	<u>6,601</u>	<u>10,109</u>	<u>(39)</u>	<u>4,168</u>		<u>1,375</u>	<u>26,347</u>
5. Gross Operating Surplus	<u>(658,579)</u>	<u>(362,015)</u>	<u>1,844,477</u>	<u>26,697</u>	<u>214,222</u>	<u>547,797</u>	<u>264,693</u>	<u>1,877,292</u>
6. Return of Surplus								
7. Net Current Surplus	<u>\$ (658,579)</u>	<u>\$ (362,015)</u>	<u>\$ 1,844,477</u>	<u>\$ 26,697</u>	<u>\$ 214,222</u>	<u>\$ 547,797</u>	<u>\$ 264,693</u>	<u>\$ 1,877,292</u>

Schedule E

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2011
DECEMBER 31, 2014
 (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	\$ 3,296,050	\$ 2,955,715	\$ 871,953		\$ 135,254	\$ 7,258,972
Case Reserves	841,564	2,252,491	5,509,224			8,603,279
IBNR Reserve		3,289,298	2,618,824			5,908,122
Subtotal	<u>4,137,614</u>	<u>8,497,504</u>	<u>9,000,001</u>		<u>135,254</u>	<u>21,770,373</u>
Excess Insurance						
Received	545,732	539,396				1,085,128
Receivable						
Recoverable	<u>841,565</u>					<u>841,565</u>
Subtotal	<u>1,387,297</u>	<u>539,396</u>				<u>1,926,693</u>
Incurred Claims	<u>2,750,317</u>	<u>7,958,108</u>	<u>9,000,001</u>		<u>135,254</u>	<u>\$ 19,843,680</u>
Number of Claims	91	300	170		5	
Cost/Claim	<u>\$ 30,223</u>	<u>\$ 26,527</u>	<u>\$ 52,941</u>	<u>\$ -0-</u>	<u>\$ 27,051</u>	

Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2012
DECEMBER 31, 2014
(Unaudited)

	Coverages					Total
	Property	Liability	Worker's Compensation	Faithful Performance	Public Officials' Employment Practice	
Paid Claims	\$ 2,546,047	\$ 829,831	\$ 477,026	\$ 8,034		\$ 3,860,938
Case Reserves	3,544,913	1,301,980	2,308,754			7,155,647
IBNR Reserve	(29,449)	5,325,282	3,964,220			9,260,053
Subtotal	6,061,511	7,457,093	6,750,000	8,034		20,276,638
Excess Insurance						
Received	199,367					199,367
Receivable						
Recoverable	3,340,629					3,340,629
Subtotal	3,539,996					3,539,996
Incurred Claims	2,521,515	7,457,093	6,750,000	8,034		\$ 16,736,642
Number of Claims	217	310	151	1		
Cost/Claim	\$ 11,620	\$ 24,055	\$ 44,702	\$ -0-	\$ -0-	

Schedule E

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2013
DECEMBER 31, 2014
 (Unaudited)

	Coverages					
	Property	Liability	Worker's Compensation	Faithful Performance	Public Officials' Employment Practice	Total
Paid Claims	\$ 1,822,342	\$ 96	\$ 96,595	\$ 85,270		\$ 2,004,303
Case Reserves	213,376	750,000	2,598,845	20,000		3,582,221
IBNR Reserve	(35,718)	\$ 6,649,904	4,504,560			11,118,746
Subtotal	<u>2,000,000</u>	<u>7,400,000</u>	<u>7,200,000</u>	<u>105,270</u>		<u>16,705,270</u>
Excess Insurance						
Received						
Receivable						
Recoverable						
Subtotal						
Incurred Claims	<u>2,000,000</u>	<u>7,400,000</u>	<u>7,200,000</u>	<u>105,270</u>		<u>\$ 16,705,270</u>
Number of Claims	42	230	124	4		
Cost/Claim	<u>\$ 47,619</u>	<u>\$ 32,174</u>	<u>\$ 58,065</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

Schedule E

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

(Unaudited)

	Coverages				
	Property	Liability	Worker's Compensation	Public Officials' Employment Practice	Total
Paid Claims	\$ 1,836,955		\$ 18	\$ 389	\$ 1,837,362
Case Reserves	1,179,237		2,027,187		3,206,424
IBNR Reserve	(116,191)	\$ 7,000,000	6,472,795		13,356,604
Subtotal	2,900,001	7,000,000	8,500,000	389	18,400,390
Excess Insurance					
Received					
Receivable					
Recoverable					
Subtotal					
Incurred Claims	2,900,001	7,000,000	8,500,000	389	\$ 18,400,390
Number of Claims	63	177	66	1	
Cost/Claim	\$ 46,032	\$ 39,548	\$ 128,788	\$ 389	

Schedule F

MUNICIPAL EXCESS LIABILITY
JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2011
DECEMBER 31, 2014
 (Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 5,329,724		\$ 5,329,724
Liability	6,946,722		6,946,722
Worker's Compensation	2,787,520		2,787,520
Public Officials'/Employment Practice	862,720		862,720
Legal Expense:			
Public Officials'/Employment Practice	110		110
Subtotal Excess	<u>15,926,796</u>		<u>15,926,796</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,073,618		1,073,618
Safety and Education	1,165,182		1,165,182
Administration	899,573		899,573
Actuary	43,628		43,628
Attorney	39,982		39,982
Auditor	26,128		26,128
Treasurer	21,904		21,904
Public Relations	69,189		69,189
Reinsurance Manager	265,943		265,943
Other Consultants	42,827		42,827
Internal Audit	42,191		42,191
Brokerage Expense	460,538		460,538
Non-Contracted Expenses	70,775		70,775
Risk Management Consultant	341,001		341,001
Subtotal Administrative	<u>4,562,479</u>		<u>4,562,479</u>
3. <u>Worker's Compensation</u>			
Managed Care	459,000		459,000
Subtotal Worker's Compensation	<u>459,000</u>		<u>459,000</u>
Total Expenses = 1+2+3	<u>\$ 20,948,275</u>	<u>\$ -0-</u>	<u>\$ 20,948,275</u>

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2012
DECEMBER 31, 2014
 (Unaudited)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Property	\$ 5,881,983		\$ 5,881,983
Liability	6,763,117		6,763,117
Worker's Compensation	2,588,093		2,588,093
Public Officials Liability	821,111		821,111
Subtotal Excess	<u>16,054,304</u>		<u>16,054,304</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,093,718		1,093,718
Safety and Education	1,180,840		1,180,840
Administration	954,738		954,738
Actuary	44,501		44,501
Attorney	37,941	\$ 2,841	40,782
Auditor	25,630		25,630
Treasurer	22,342		22,342
Public Relations	44,156		44,156
Other Consultants	64,692		64,692
Internal Audit	54,428		54,428
Reinsurance Manager	271,262		271,262
Brokerage Expense	469,749		469,749
Non-Contracted Expenses	108,352		108,352
Risk Management Consultant	345,429		345,429
Subtotal Administrative	<u>4,717,778</u>	<u>2,841</u>	<u>4,720,619</u>
3. <u>Worker's Compensation</u>			
Managed Care	468,180		468,180
Subtotal Workers's Compensation	<u>468,180</u>		<u>468,180</u>
4. <u>Property</u>			
Property Grant	29,987		29,987
Subtotal Property	<u>29,987</u>		<u>29,987</u>
Total Expenses = 1+2+3+4	<u>\$ 21,270,249</u>	<u>\$ 2,841</u>	<u>\$ 21,273,090</u>

Schedule F

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUNDFUND YEAR EXPENSE ANALYSISFUND YEAR - 2013DECEMBER 31, 2014

(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	41,599	\$ 7,813	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>4,778,698</u>	<u>7,813</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>\$ 21,882,468</u>	<u>\$ 7,813</u>	<u>\$ 21,890,281</u>

Schedule F

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

(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	6,875,447		6,875,447
Worker's Compensation	2,732,200		2,732,200
Public Officials'/Employment Practice	816,113		816,113
Subtotal Excess	<u>18,933,789</u>		<u>18,933,789</u>
2. <u>Administrative Expenses</u>			
Claims Administration	1,132,147	\$ 33,242	1,165,389
Safety and Education	1,126,692	60,660	1,187,352
Administration	954,319		954,319
Actuary	46,298		46,298
Attorney	41,040		41,040
Auditor		26,666	26,666
Treasurer	23,245		23,245
Public Relations	92,265		92,265
Other Consultants	3,200	46,838	50,038
Reinsurance Manager	282,221		282,221
Internal Audit	53,616		53,616
Brokerage Expense	488,727		488,727
Non-Contracted Expenses	150,598	53,860	204,458
Risk Management Consultant	337,833		337,833
Subtotal Administrative	<u>4,732,201</u>	<u>221,266</u>	<u>4,953,467</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>	1,500		1,500
Subtotal Property Grant	<u>1,500</u>		<u>1,500</u>
Total Expenses = 1+2+3+4	<u>\$ 24,154,585</u>	<u>\$ 221,266</u>	<u>\$ 24,375,851</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
PROGRAM SUMMARY
FUND YEAR - 2014
DECEMBER 31, 2014
(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 XL 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)	\$250,000 excess of JIF \$50,000	\$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	\$13,521,609	\$11,163,548	\$8,816,625	\$0	\$710,776
6. Exposure Units (population or students) (A)	5,146,041 Population	\$2,832,850,557 Payroll	12,105,196,790 Property Value	34,651 Full time Employees	5,146,041 Population
7. Liabilities/Unit	\$2.70	\$0.01	\$0.01		\$4.05

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF CASH AND INVESTMENTS
DECEMBER 31, 2014
 (Unaudited)

Bank	Account Description	Amount
Wells Fargo-Operating	Operating	\$ 9,591,368
Wells Fargo-Claims-QL	Claims	62,542
Wells Fargo-Claims-CB	Claims	23,737
Money Market	Money Market	2,108,169
US Treasury Notes	Investment	45,141,195
Federal Home Loan Bank Notes	Investment	2,498,570
FNMA Notes	Investment	5,055,500
New Jersey Cash Management Fund	Cash Management	6,952,737
		<u>71,433,818</u>
Add: Deposit in Transit		842,882
Less: Outstanding Checks		<u>125,739</u>
		<u><u>\$ 72,150,961</u></u>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE
DECEMBER 31, 2014
 (Unaudited)

Amount Due From Reinsurance Company:	
Fund Year - MEL - Aggregate Excess Loss Fund Contingency	\$ 379,453
Amount Due From Underlying Joint Insurance Funds:	
Fund Year - MEL - Aggregate Excess Loss Fund Contingency	88,018
Fund Year 2012	<u>84,000</u>
	<u><u>\$ 551,471</u></u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF ASSESSMENTS RECEIVABLE
DECEMBER 31, 2014
 (Unaudited)

Fund Year 2014	<u>\$ 2,099,402</u>
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ANALYSIS OF OTHER RECEIVABLES
DECEMBER 31, 2014
 (Unaudited)

Accrued Interest Receivable	\$ 114,724
Notes Receivable Beverly City	41,460
Notes Receivable Township of Bloomfield	18,333
Notes Receivable Township of Fairfield	569,000
Notes Receivable Township of Robbinsville	56,000
Due from Municipal Excess Liability Residual Claims Fund	<u>745,833</u>
	<u>\$ 1,545,350</u>

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE
DECEMBER 31, 2014
 (Unaudited)

Fund Year 2012:		
Legal Expenses	\$	2,841
Fund Year 2013:		
Legal Expenses		7,813
Fund Year 2014:		
Claims Administration	\$	33,242
Safety and Education		60,660
External Auditor		26,666
Other Consultants		46,838
Non-Contracted Expenses		53,860
		<hr/>
		221,266
		<hr/>
	\$	231,920
		<hr/>

ANALYSIS OF MISCELLANEOUS LIABILITIES
DECEMBER 31, 2014
 (Unaudited)

Due to Reinsurance - Advance		
Fund Year 2011	\$	50,156
Fund Year 2012		890,845
Due to Morris County Municipal Joint Insurance Fund		
Fund Year 2012		2,972
Fund Year 2013		2,444
Due to Ocean County Municipal Joint Insurance Fund-Fund Year 2012		1,666
		<hr/>
	\$	948,083
		<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

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11 Lawrence Road
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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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated May 1, 2015.

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mount Arlington, New Jersey
May 1, 2015

A handwritten signature in dark ink, appearing to read "Nisim L.L.", is located to the right of the date.

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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-Type Activities										
Unrestricted	\$ 21,184,176	\$ 20,947,473	\$ 27,102,482	\$ 26,141,202	\$ 20,081,834	\$ 18,712,493	\$ 21,651,941	\$ 20,876,056	\$ 24,399,703	\$ 21,088,092
Total Business-Type Activities Net Position	<u>\$ 21,184,176</u>	<u>\$ 20,947,473</u>	<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>

Source - Insurance Fund Financial Records.

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue:										
Assessments from Participating Members	\$ 43,480,700	\$ 46,843,768	\$ 50,636,167	\$ 54,654,528	\$ 55,811,911	\$ 57,156,175	\$ 43,756,127	\$ 43,245,446	\$ 43,307,995	\$ 44,620,104
Other Income										498
Investment Income	1,335,575	2,456,986	3,478,002	2,691,069	1,202,163	655,152	1,692,466	618,953	(121,095)	352,718
Change in Investment in Joint Venture	(752,762)	(105,194)	(285,481)	(346,431)	(493,063)	(59,956)	(223,077)	(183,932)	1,171,808	(2,071,522)
Total Revenue	44,063,513	49,195,560	53,828,688	56,999,166	56,521,011	57,751,371	45,225,516	43,680,467	44,358,708	42,901,798
Expenses:										
Provision for Claims and Claim Adjustment Expense	14,934,616	18,520,714	17,923,804	27,716,260	29,331,266	27,208,859	9,291,311	6,999,622	6,677,234	10,589,937
Assessment for Participation in Municipal Excess										
Liability Residual Claims Fund	7,424,620	7,967,278	8,521,017	9,413,237	11,233,172	9,933,817	11,824,698	16,384,865	12,178,967	11,222,440
Insurance Premiums	15,787,254	18,719,237	16,345,493	15,781,178	16,521,667	16,599,145	16,140,890	15,709,983	16,638,026	18,926,665
Claims Administration	692,242	922,659	931,440	1,025,146	1,051,947	1,066,103	1,075,156	1,093,718	1,148,515	1,165,389
Other Contractual Services	1,046,309	1,552,441	1,765,584	2,143,771	2,600,113	2,421,972	2,176,048	2,445,527	2,333,285	2,321,010
Non-Contractual Expenses	126,927	128,555	401,149	179,726	79,312	100,833	75,844	87,923	107,039	207,089
Administration	796,784	816,701	837,282	858,049	881,786	899,276	901,582	918,536	935,607	954,319
Insurance Brokerage Expense	441,006	463,281	578,707	439,424	451,508	460,538	460,538	469,749	479,144	488,727
Risk Management Fees	323,794	341,397	369,203	403,655	429,608	430,169	340,001	346,429	337,244	337,833
Total Expenses	41,573,552	49,432,263	47,673,679	57,960,446	62,580,379	59,120,712	42,286,068	44,456,352	40,835,061	46,213,409
Change in Net Position	\$ 2,489,961	\$ (236,703)	\$ 6,155,009	\$ (961,280)	\$ (6,059,368)	\$ (1,369,341)	\$ 2,939,448	\$ (775,885)	\$ 3,523,647	\$ (3,311,611)

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, 2014
(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total number of members	18	18	18	18	19	19	19	19	19	19
Total employees	36,205	38,005	39,552	38,236	39,164	39,942	37,425	35,826	35,342	34,651
Total annual payrolls	\$ 2,197,930,081	\$ 2,197,930,081	\$ 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
Total member assessments	\$ 4,348,945,660	\$ 46,811,585	\$ 50,629,314	\$ 54,672,772	\$ 55,800,916	\$ 57,150,605	\$ 43,750,392	\$ 43,242,670	\$ 43,307,995	\$ 44,620,602
Total number of claims	849	1,089	1,050	999	1,051	1,057	566	679	400	307
Total reported losses	\$ 21,044,435	\$ 22,507,374	\$ 30,367,257	\$ 31,892,670	\$ 27,916,484	\$ 27,309,013	\$ 13,935,558	\$ 7,476,589	\$ 5,586,524	\$ 5,043,786

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, 2014
(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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property	\$ 851,382	\$ 1,052,463	\$ 1,694,448	\$ 1,374,085	\$ 943,217	\$ 1,573,788	\$ 2,750,317	\$ 2,550,964	\$ 2,035,718	\$ 3,016,192
Liability	6,628,118	6,870,920	3,714,117	5,592,201	2,144,344	7,294,066	4,668,810	2,131,811	750,096	
Workers' Compensation	5,816,955	6,731,940	10,937,509	12,278,147	7,949,595	5,282,356	6,381,177	2,785,780	2,695,440	2,027,205
Faithful Performance Bond		117,068	217,855	1,100,000	1,018,638	324,956		8,034	105,270	
Public Officials' Liability	<u>7,747,980</u>	<u>7,734,983</u>	<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>\$ 21,044,435</u>	<u>\$ 22,507,374</u>	<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>\$ 7,476,589</u>	<u>\$ 5,586,524</u>	<u>\$ 5,043,786</u>
Total number of claims	<u>849</u>	<u>1,089</u>	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>679</u>	<u>400</u>	<u>307</u>
Average cost per claim	<u>\$ 24,787</u>	<u>\$ 20,668</u>	<u>\$ 28,921</u>	<u>\$ 31,925</u>	<u>\$ 26,562</u>	<u>\$ 25,836</u>	<u>\$ 24,621</u>	<u>\$ 11,011</u>	<u>\$ 13,966</u>	<u>\$ 16,429</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, 2014
(Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Property	34	31	107	38	27	40	91	218	42	63
Liability	246	386	275	293	355	371	300	310	230	177
Workers' Compensation	157	177	230	195	226	184	170	151	124	66
Faithful Performance Bond		1	3	1	2	3			4	
Public Officials' Liability	<u>412</u>	<u>494</u>	<u>435</u>	<u>472</u>	<u>441</u>	<u>459</u>	<u>5</u>			<u>1</u>
Total	<u>849</u>	<u>1,089</u>	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>679</u>	<u>400</u>	<u>307</u>
Claims settled in full	707	952	840	820	871	870	468	535	257	141
Claims pending	<u>142</u>	<u>137</u>	<u>210</u>	<u>179</u>	<u>180</u>	<u>187</u>	<u>98</u>	<u>144</u>	<u>143</u>	<u>166</u>
Total	<u>849</u>	<u>1,089</u>	<u>1,050</u>	<u>999</u>	<u>1,051</u>	<u>1,057</u>	<u>566</u>	<u>679</u>	<u>400</u>	<u>307</u>

Source - Joint Insurance Fund - Third Party Claims Administrator