

***PUBLIC ENTITY***  
***JOINT INSURANCE FUND***

***FINANCIAL STATEMENTS***  
***FOR THE YEAR ENDED***  
***DECEMBER 31, 2015***

***HODULIK & MORRISON, P.A.***

*Certified Public Accountants*  
*Registered Municipal Accountants*  
*Highland Park, New Jersey*

**PUBLIC ENTITY JOINT INSURANCE FUND**

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**PART I**

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairperson and  
Board of Fund Commissioners  
Public Entity Joint Insurance Fund  
Woodbridge, New Jersey 07095

**Report on Financial Statements**

We have audited the accompanying financial statements of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey (the "Fund") which comprise the statement of net position as of December 31, 2015 and the related statements of revenues, expenses and changes in fund net position and cash flows for the year then ended and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements as prescribed by the Departments of Community Affairs and Banking and Insurance, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As permitted by the Departments of Community Affairs and Banking and Insurance, audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

### **Opinions**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the IBNR reserves, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey as of December 31, 2015 and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 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 financial statements, and other knowledge we obtained during our audit of the 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 Information**


Our audit was conducted for the purpose of forming an opinion on the financial statements the Public Entity Joint Insurance Fund, Woodbridge, New Jersey. The Additional Supplementary Information Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental data section is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In Accordance with Government Auditing Standards, we have also issued our report dated June 10, 2016, on our consideration of the Fund's internal control over financial reporting and 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 the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance Government Auditing Standards in considering the Fund's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants



Andrew G. Hodulik  
Registered Municipal Account  
No. 406

Highland Park, New Jersey  
June 10, 2016

**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)  
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

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MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S 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

The Honorable Chairperson and  
Board of Fund Commissioners  
Public Entity Joint Insurance Fund  
Woodbridge, New Jersey 07095

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, the financial statements of the Public Entity Joint Insurance Fund, Woodbridge, New Jersey (the "Fund") as of December 31, 2015 and for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2016. The opinion on the Fund's financial statements was modified as permitted by the State of New Jersey Departments of Community Affairs and Banking and Insurance, as audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, as these assumptions are prepared by the Fund's actuary.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the 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.

### **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 the 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.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Registered Municipal Accountants

Highland Park, New Jersey  
June 10, 2016



**REQUIRED SUPPLEMENTARY INFORMATION**

**PUBLIC ENTITY JOINT INSURANCE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**

**(Unaudited)**

The Public Entity Joint Insurance Fund (the "Fund") is not included in any other governmental "reporting entity" as defined by Government Accounting Standards Board ("GASB") Statement No. 14. The Fund is a pooling of the resources of its constituent member local units for the purpose of providing an efficient and cost effective plan of risk management both through the pooling of risk among its members and the economies of scale in risk transfer methodologies that the size of the Fund permits. Each member local unit appoints one Commissioner to the Fund, and the Commissioners adopt budgets and set annual assessments from the members, approve annual risk management plans and oversee the operations of the Fund. The Fund is not considered a component-unit of any of its member local units. In addition, the Fund does not have any component-units. The following Management's Discussion and Analysis of the activities and financial performance of the Fund provide an introduction to the financial statements of the Fund for the year ended December 31, 2015. Please read the following in conjunction with the Fund's financial statements and accompanying notes.

The Management's Discussion and Analysis is an element of the reporting model adopted by the GASB in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June 1999.

**FINANCIAL HIGHLIGHTS**

Cash and investments increased by \$1,498,917 (104%) to \$2,952,558 in 2015 from \$1,453,641 in 2014 and total assets increased by \$1,573,036 (107%) to \$3,052,732 in 2015 from \$1,479,696 in 2014.

Claims reserves increased by \$2,515,308 (118%) to \$4,659,456 in 2015 from \$2,144,148 in 2014.

The Fund's change in net position was a net loss of \$905,813 in 2015 versus a net loss of \$744,483 in 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Fund is a self-supporting entity and follows business-type activities fund reporting. The Fund's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles prescribed by the GASB. Enterprise fund statements reflect short and long-term financial information about the activities and operations of the Fund. These statements are presented in a manner similar to a private business. See the notes to the financial statements for a summary of the Fund's significant accounting policies.

## FINANCIAL ANALYSIS OF THE FUND

### Financial Position:

The following table summarizes the changes in financial position and increase in net assets between December 31, 2015 and 2014:

	2015	2014	% Increase (Decrease)
Cash, Cash Equivalents & Investments	\$ 2,952,558	\$ 1,453,641	103.11%
Deductible & Co-insurance Receivables	96,361	24,350	295.73%
Other Assets	3,813	1,705	123.64%
Total Assets	3,052,732	1,479,696	106.31%
Total Liabilities	4,703,028	2,224,179	111.45%
Net Position	\$ (1,650,296)	\$ (744,483)	121.67%

### Assets:

The Fund's cash flow from operations is invested in an interest bearing custody account and with the New Jersey Cash Management Fund. The Fund utilizes a nightly sweep for investment purposes with its financial institution. Since 2014, the Fund also invested its available funds in U.S. Treasury Securities and U.S. Government Agency Securities.

The Fund recorded a receivable in the amount of \$96,361, which consists of balances due from its Members representing the Members' endorsement billings in the amount of \$609 and unbilled in the amount of \$95,752. The unbilled deductibles will be billed as the claim is closed.

Other assets relate to prepaid expenses for 2016 services paid in 2015. Other assets also includes accrued interest. The increase in total assets from 2014 primarily resulted from an increase in funds held to meet future obligations.

**Liabilities:**

The liability for unpaid losses and loss adjustment expenses reported in the financial statements includes case basis estimates of reported claims plus supplemental amounts for potential development of known claims and amounts for claims incurred but not yet reported. The ultimate liability for these claims have been calculated based upon loss projections utilizing certain assumptions and industry data. Management believes that its aggregate liability for unpaid losses and loss adjustment expenses at year end represents its best estimate, based upon the available data, of the amount necessary to cover the ultimate cost of losses; however, because of the limited population of insured risks, limited historical data and the nature of the coverage provided, it is not presently possible to determine whether actual loss experience will conform to the assumptions used in determining the estimated amounts for such liability at the balance sheet date. Accordingly, the ultimate liability could be in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operation.

Expenses payable represents the liability for expenses incurred at year-end but not paid as of the balance sheet date.

**Results of Operations:**

The following table summarizes the changes in results of operations between fiscal years 2015 and 2014:

	2015	2014	% Increase (Decrease)
Revenues	\$ 5,864,126	\$ 4,012,909	46.13%
Claims	(2,875,548)	(2,213,382)	29.92%
Expenses	<u>(3,893,693)</u>	<u>(2,544,494)</u>	<u>53.02%</u>
Operating gain (loss)	(905,115)	(744,967)	21.50%
Investment income (loss)	<u>(698)</u>	<u>484</u>	<u>(244.21%)</u>
Change in net position	<u>\$ (905,813)</u>	<u>\$ (744,483)</u>	<u>21.67%</u>

Revenues consist of Fund member contributions. The change in revenues and expenses were in line with budgets adopted for the year as required by the Departments of Banking and Insurance and the Department of Community Affairs of the State of New Jersey.

**Cash Flow and Liquidity:**

The following table summarizes the changes in cash flow and liquidity between December 31, 2015 and December 31, 2014.

	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>	
Cash contributions received from participants	\$ 5,792,116
Cash payments to suppliers and contractors for goods and services	(1,504,988)
Risk transfer premiums	(2,424,689)
Cash payments for costs of claims	<u>(360,240)</u>
<b>Net Cash Provided by Operating Activities</b>	1,502,199
<b>Cash Flows from Investing Activities</b>	
Redemption (Purchase) of Investments - Net	(1,899,780)
Investment loss	<u>(3,282)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>(1,903,062)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(400,863)
<b>Cash and Cash Equivalents, at December 31, 2014</b>	<u>477,564</u>
<b>Cash and Cash Equivalents, at December 31, 2015</b>	<u><u>\$ 76,701</u></u>

In order to provide for an increase in the yield on investments while managing credit risk, in 2015 the Fund continued investing in U.S. Treasury and U.S. Government Agency Securities.

The remaining amount of cash and cash equivalents held by the Fund is kept in a GUDPA approved account which enables the Fund to maintain optimum liquidity. When cash is channeled into securities, the Fund's investment strategy is to invest in those assets whose maturities are similar to the actuarial expected payout of the related losses and LAE. The Fund has sufficient cash resources to meet its balance sheet liabilities as they become due.

## **DEBT ADMINISTRATION**

The Fund has no debt as of the date of this report.

## **CONTACTING THE FUND'S MANAGEMENT**

This financial report is designed to provide its constituent members and their residents and taxpayers, and the Fund's customers, investors and creditors, with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Executive Director, Public Entity Joint Insurance Fund, Jonathan Hall, NIP Group, Inc., 900 Route Nine North, Suite 503, Woodbridge, NJ 07095.

**FINANCIAL STATEMENTS**

PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF NET POSITION  
DECEMBER 31, 2015

<u>ASSETS</u>	<u>2015</u>
Cash & Cash Equivalents	\$ 76,701
Investments	2,875,857
Recoverables Recorded Not Billed	95,752
Assessment/Endorsement to Member	609
Accrued Interest	<u>3,814</u>
Total Assets	<u>\$ 3,052,732</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Claims:	
Case Reserves	\$ 1,819,568
IBNR Reserves	2,535,649
Claims Payable	304,239
Expenses:	
Accrued Expenses	<u>43,572</u>
Total Liabilities	<u>4,703,028</u>
Net Position	<u>\$ (1,650,296)</u>



PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
DECEMBER 31, 2015

	<u>2015</u>
Revenue:	
Assessments - Participating Members	<u>\$ 5,864,126</u>
Total Revenue	<u>5,864,126</u>
Expenditures:	
Provision for Claims and Claim	
Adjustment Expense - Net	2,875,548
Excess Insurance Premiums	2,424,689
Administrative Expenses	<u>1,469,005</u>
Total Expenditures	<u>6,769,241</u>
Operating Gain	(905,115)
Non-Operating Income:	
Net Investment Income	<u>(698)</u>
Total Non-Operating Income	<u>(698)</u>
Net Position Gain (Loss)	(905,813)
Net Position - Beginning of Year	<u>(744,483)</u>
Net Position - December 31, 2015	<u>\$ (1,650,296)</u>

PUBLIC ENTITY JOINT INSURANCE FUNDSTATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

2015

Cash Flows from Operating Activities:	
Cash Contributions Received from Participants and Other Sources	\$ 5,792,116
Cash Payments for Goods and Services	(1,504,988)
Cash Payments for Risk Transfer Premiums	(2,424,689)
Cash Payments for Costs of Claims	<u>(360,240)</u>
Net Cash Provided by Operating Activities	<u>1,502,199</u>
Cash Flows from Investing Activities:	
Redemption (Purchase) of Investments - Net	(1,899,780)
Investment Income - Net	<u>(3,282)</u>
Net Cash Provided (Used) by Investing Activities	<u>(1,903,062)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(400,863)</u>
Cash and Cash Equivalents, Beginning	<u>477,564</u>
Cash and Cash Equivalents, Ending	<u>\$ 76,701</u>
Reconciliation of Operating Income to Net	
Cash Provided (Used) by Operating Activities:	
Operating Gain/(Loss)	\$ (905,115)
Adjustments to Reconcile Operating Income	
to Cash Provided by Operating Activities:	
Change in Assets and Liabilities:	
Receivables and Prepaid Expenses	(72,011)
Claim Reserves	2,515,308
Accrued Expenses	<u>(35,983)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,502,199</u>

See accompanying notes to financial statements.

PUBLIC ENTITY JOINT INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015

NOTE 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The Public Entity Joint Insurance Fund (the "Fund") was established, effective January 1, 2014, in accordance with P.L. 1983, c.372 of the State of New Jersey, entitled "An Act Concerning Joint Insurance Funds for Local Units of Government", codified as N.J.S.A. 40A:10-1 et seq. The Department of Insurance and the Department of Community Affairs of the State of New Jersey have been designated by statute as oversight agencies for joint insurance funds and have issued regulations governing the operations of these funds. The Fund provides for a pooling of the participants' insurable risks and the associated resources available to manage these risks. The Fund operates in accordance with its by-laws and its Plan of Risk Management and Annual Budget.

Participating entities generally must remain in the Fund for the a minimum of three (3) years unless terminated 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. The Fund has 6 members in total.

Member contributions to the Fund for claim payments are based on the actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Fund's administration is provided by an executive director/administrator. Fees paid to the administrative consultants encompass the administrative duties that are performed at the administrative consultant's office. Accordingly, the Fund does not maintain any fixed assets or incur payroll expense.

The following primary coverage's are offered by the Fund to its members:

- a) Workers' Compensation
- b) General Liability
- c) Property Damage/APD
- d) Auto Liability
- e) Employment Practices Liability/Public Officials Liability

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Government Accounting Standards Board (“GASB”) Codification Section 2100, “Defining 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. The exercise responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation, Fund Accounting

The financial statements of the Fund have been prepared in accordance with generally accepted accounting principles applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is a measurement of economic resources, that is, the determination of net income, financial position and cash flows.

Enterprise Funds are used to account for activities that are operated in a manner similar to private business enterprises.

C. Accrual Basis of Accounting

The Fund uses the accrual basis of accounting, whereby income is recorded as earned and expenses are recognized as incurred.

D. Income Taxes

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

E. Assessments

The gross claim fund assessment is determined by the actuary and, when combined with expense and excess premium projections, constitutes the Fund’s budget. Assessments for participating municipalities are determined by underwriting criteria established by the Executive Committee.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. 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 excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim 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. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The fund does not discount estimated claim liabilities.

In accordance with practices prescribed or permitted by the Departments of Community Affairs and Banking and Insurance, State of New Jersey, the accountants' audit procedures were not extended to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) Reserve amounts since they are prepared by the Fund's actuary.

G. Recoverables from Excess Carriers

The Fund uses excess insurance agreements to reduce its exposure to large losses on certain types of insured events. Excess insurance 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.

H. Deferred Revenue

Deferred revenue represents the unearned assessments of participating municipalities.

I. Recoverables Recorded Not Billed

During the year ended December 31, 2015, the Fund has recorded as accounts receivable recoverables due from Members for claims expenses paid by the Fund based upon levels of self-retention. The Fund will bill these receivables to the Member when the claim is closed.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted to and approved by a majority of the Commissioners.

K. Claims Case Reserves

Case reserves include estimated unpaid claim costs for claimants and allocated claim adjustment expenses as reported by the service agent.

L. Claims Incurred But Not Reported (IBNR) Reserve

In order to recognize claims incurred but not reported, a reserve is calculated by the Fund's actuary within an acceptable range from the estimated outstanding reserve.

IBNR reserves include:

- a) Known loss events that are expected to, at a later time, be presented as claims,
- b) Unknown loss events that are expected to become claims, and
- c) Expected future development on claims already reported.

M. Summary of Risk Management Program

A summary of the Fund's Risk Management Program is provided for in Schedule E contained in the Supplementary Information section of this report.

NOTE 3: CASH AND CASH EQUIVALENTS

The Fund considers cash in banks, money market accounts and short-term investments with original maturities of three months or less as cash and cash equivalents.

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protections Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

NOTE 3: CASH AND CASH EQUIVALENTS

The carrying value of the Public Entity Joint Insurance Fund cash and cash equivalents at December 31, 2015 was \$76,701 and bank balances were \$88,388.

As of December 31, 2015, cash and cash equivalents of the Fund consisted of the following:

Checking and Cash Management	
Investment Accounts	<u>\$76,701</u>
Total	<u>\$76,701</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the local unit’s deposits may not be returned to it. As of December 31, 2015, with respect to the Fund’s bank balances, up to \$250,000 was covered by federal depository. The Public Entity Joint Insurance Fund adheres to the requirements of the GUDPA statute.

NOTE 4: INVESTMENTS

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

Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America.

Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the dates of purchase, and has a fixed rate of interest not dependent on any index or external factors.

Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located; or Bonds or other obligations, having a maturity date not exceeding 397 days, approved by the Division of Investment of the Department of Treasury for Investment by local units.

Debt obligations of federal agencies or government corporations with maturities not greater than ten (10) years from the date of purchase, excluding mortgage backed obligations, providing that such investments are purchased through New Jersey Division of Investment and are consistent with the Division’s own investment guidelines, and providing that the investment has a fixed rate of interest not dependent on any index or external factors.

Repurchase agreements of fully collateralized securities, subject to rules and conditions established by the N.J. Department of Community Affairs.

NOTE 4: INVESTMENTS

No investment or deposit shall have a maturity longer than ten (10) years from date of purchase. Investments are recorded at market value based on quoted market prices.

Investments at year-end are categorized to give an indication of the level of risk assumed by the Fund. The categories are described as follows:

Category A – Insured, registered or securities held by the Fund or its agent in the Fund’s name.

Category B - Uninsured and unregistered with securities held by the counterparty’s trust department or agent in the Fund’s name.

Category C - Uninsured and unregistered with securities held by the counterparty, or its trust department or agent but not in the Fund’s name.

The Fund’s investments at December 31, 2015 are categorized as follows:

	<u>Risk Category</u>	<u>Book Value</u>	<u>Market Value</u>
Cash Management Funds (Included in Cash and Cash Equivalents)	A	\$ 20,116	\$ 20,116
U.S Treasury Securities	A	<u>2,886,380</u>	<u>2,875,857</u>
Total		<u>\$2,906,496</u>	<u>\$3,075,973</u>

Based upon existing investment policies, the Fund is generally not exposed to interest rate risk as, depending upon market conditions, investments can be held to maturity. Also, investments held are limited to U.S Treasury or U.S. Government Agency securities, thereby mitigating credit risk and concentration of credit risk nor are the Fund’s deposits and investments exposed to foreign currency risks.

During the year 2015, the Fund had realized investment losses in the amount of \$10,889.



## NOTE 5: PERMANENT FUND TRANSFERS

Permanent inter-trust fund transfers are made upon the approval of the Commissioners, following prior written notification to the Commissioners of Insurance and the Department of Community Affairs.

Inter-year fund transfers require prior approval of the departments of Insurance and Community Affairs. The fund may seek approval from the Commissioner to make inter-year fund transfers at any time from a claims or loss retention trust account from any year which has been completed for at least 24 months. The inter-year fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation. The membership for each fiscal year involving inter-year fund transfers must be identical between fiscal years. This requirement may be waived by the Commissioner provided the fund demonstrates it maintains records of each member's pro rata share of each claim or loss retention account, and that the transfer may be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

All fund transfers are recognized at the time actual transfers take place.

## NOTE 6: RETURN OF SURPLUS

Refunds are recognized upon authorization of the Commissioners. Any reserves for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by the Fund's actuary may be declared to be refundable by the Fund, subject to the effective time periods set forth by regulation. The initial and any subsequent refund for any year from a Claim or Loss Retention Account is subject to the limitation that after the refund, the remaining net current surplus must equal or exceed the surplus retention requirement calculated according to regulation. A full and final refund is not allowed until all case reserves and IBNR reserves are closed.

## NOTE 7: MINIMUM SURPLUS REQUIREMENTS

The State of New Jersey has no statutory minimum surplus requirements.

## NOTE 8: DEFICIT FUND BALANCE

The Fund will liquidate any deficit in a fund balance year by transferring from another fund balance year or by assessing members for additional contributions, in accordance with applicable New Jersey statutes and regulations.

NOTE 8: DEFICIT FUND BALANCE (CONT'D).

At December 31, 2015, the following fund years' unrestricted net assets were in a deficit position:

<u>Fund Year</u>	<u>2015</u>	<u>2014</u>
2014	\$(1,231,407)	\$ (744,484)
2015	\$ (418,889)	-

Management will continue to monitor each Fund year to minimize further losses and increased deficits and will confer with the New Jersey State Department of Banking and Insurance ("DOBI")

NOTE 9: 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, 2015. 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 effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. The estimate of outstanding losses was recorded by the Fund as of December 31, 2015 based on an actuarial determined range of estimates.

Actuarial Standard of Practice No. 36 states, "the actuary may determine a range of reasonable estimates that reflects the uncertainties associated with analyzing the reserves 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. 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. Amounts shown as negative loss reserves, if any, represent payments to claims servicing agent in excess of claims paid and case reserves on the Fund's loss runs. These amounts, if any, are shown on the balance sheets as accounts receivable.

The Fund also purchases excess insurance policies, which provides coverage to the Fund for claims in excess of \$750,000 for workers' compensation claims, \$250,000 for liability claims, \$250,000 for employment practices and public officials liability, \$50,000 for auto physical damage, and \$50,000 for property claims.

NOTE 9: LOSS RESERVES (CONT'D.)

For the year 2015, the “inner corridor endorsement” for workers’ compensation was also put in place with a limit of \$250,000 per claim and \$250,000 in total. The Fund established an all lines of business stop loss aggregate for the years 2015.

A contingent liability exists with respect to insurance coverage, which would become an actual liability in the event the insuring company might be unable to meet its obligations to the Fund under existing insurance agreements.

The following table sets forth the case reserves for reported claims and reserves for claims related to IBNR established for each respective fund year at December 31, 2015, which have been estimated by the Fund’s Actuary.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LOSS RESERVES:

	<u>Property Fund</u>	<u>General Liability Fund</u>	<u>Automotive Liability Fund</u>	<u>Workers' Compensation Fund</u>	<u>Total</u>
2014 Fund Year:					
Case Reserves	\$ 14,399	\$ 1,077,842	\$ 44,295	\$ 44,693	\$ 1,181,229
Losses Incurred But Not Reported (IBNR)	1,439	1,088,795	84,805	63,938	1,238,977
	<u>\$ 15,838</u>	<u>\$ 2,166,637</u>	<u>\$ 129,100</u>	<u>\$ 108,631</u>	<u>\$ 2,420,206</u>
2015 Fund Year:					
Case Reserves	\$ 95,904	\$ 189,623	\$ 17,100	\$ 335,712	\$ 638,339
Losses Incurred But Not Reported (IBNR)	9,590	755,949	74,188	456,945	1,296,672
	<u>\$ 105,494</u>	<u>\$ 945,572</u>	<u>\$ 91,288</u>	<u>\$ 792,657</u>	<u>\$ 1,935,011</u>

## NOTE 10: RELATED PARTIES

The Fund pays underwriting fees, risk management fees and claims handling fees to an affiliated company of the Fund's administrator.

## NOTE 11: CHANGES IN UNPAID CLAIMS LIABILITIES

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and unrelated allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported case reserves for the Fund during 2015 for all open Fund years net of excess insurance recoveries.

	<u>2015</u>
Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – Beginning of Year	\$708,743
Incurred Claims and Claims Adjustment Expenses:	
Provision for Insured Events – Current Year	1,092,259
Changes in Provision for Insured Events – Prior Years	<u>631,347</u>
Total Incurred Claims and Claim Adjustment Expenses - All Fund Years - Subtotal	<u>2,850,994</u>
Subtotal	3,559,737
Payments:	
Claims and Claim Adjustment Expenses	<u>(612,781)</u>
Total Unpaid Claims and Claim Adjustment Expenses – All Fund Years – End of Year	<u>\$1,819,568</u>

## NOTE 12: SUBSEQUENT EVENTS

Through the date of this report, management is unaware of any events occurring subsequent to December 31, 2015 that would adversely impact the financial position, the continuing operations, or require disclosure with respect to the Public Entity Joint Insurance Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

## PUBLIC ENTITY JOINT INSURANCE FUND

TEN YEAR CLAIMS DEVELOPMENT INFORMATION  
AS OF DECEMBER 31, 2015

	<u>2014</u>	<u>2015</u>
Underwriting Income-Required Contribution	\$4,012,909	\$5,864,126
Investment Income	484	(698)
	<u>4,013,393</u>	<u>5,863,428</u>
Excess Insurance Premiums	1,538,932	2,424,689
Administrative Expenses	<u>1,005,562</u>	<u>1,469,005</u>
	<u>2,544,494</u>	<u>3,893,694</u>
Estimated Incurred Claims-End of Policy Year	<u>829,676</u>	<u>1,092,259</u>
Cumulative Paid Claims:		
End of Policy Year	120,933	453,920
One Year Later	279,794	
Two Years Later		
Three Years Later		
Four Years Later		
Five Years Later		
Six Years Later		
Seven Years Later		
Eight Years Later		
Nine Years Later		
Cumulative Incurred Claims:		
End of Policy Year	829,676	1,092,259
One Year Later	1,461,023	
Two Years Later		
Three Years Later		
Four Years Later		
Five Years Later		
Six Years Later		
Seven Years Later		
Eight Years Later		
Nine Years Later		
Decrease (Increase) in Cumulative Incurred Claims from End of Policy Year	<u>(\$631,347)</u>	<u>\$0</u>

**PART II**  
**ADDITIONAL SUPPLEMENTARY INFORMATION**



## PUBLIC ENTITY JOINT INSURANCE FUND

OPERATING RESULTS ANALYSIS - ALL YEARS COMBINED  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income: Regular Contributions	\$ 1,684,927	\$ 3,313,832	\$ 787,972	\$ 4,090,305	\$ -	\$ -	\$ 9,877,036
2. Incurred Liabilities							
Claims (Net)	462,563	3,369,366	242,453	1,163,405	-	-	5,237,787
Expenses	-	-	-	-	3,963,621	2,474,566	6,438,187
Total Liabilities	462,563	3,369,366	242,453	1,163,405	3,963,621	2,474,566	11,675,974
3. Underwriting Surplus/(Deficit)	1,222,364	(55,534)	545,519	2,926,900	(3,963,621)	(2,474,566)	(1,798,938)
4. Adjustments:							
Investment Activity (Realized/Unrealized)						(214)	(214)
Recoveries	-	148,856	-	-	-	-	148,856
Total Adjustments	-	148,856	-	-	-	(214)	148,642
5. Gross Operating Surplus/(Deficit)	1,222,364	93,322	545,519	2,926,900	(3,963,621)	(2,474,780)	(1,650,296)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 1,222,364	\$ 93,322	\$ 545,519	\$ 2,926,900	\$ (3,963,621)	\$ (2,474,780)	\$ (1,650,296)

## PUBLIC ENTITY JOINT INSURANCE FUND

2015 FUND YEAR  
OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income:							
Regular Contributions	\$ 1,083,695	\$ 2,057,251	\$ 366,584	\$ 2,356,597	\$ -	\$ -	\$ 5,864,127
2. Incurred Liabilities							
Claims (Net)	317,362	949,967	98,275	1,025,592	-	-	2,391,196
Expenses	-	-	-	-	2,424,689	1,469,005	3,893,693
Total Liabilities	317,362	949,967	98,275	1,025,592	2,424,689	1,469,005	6,284,889
3. Underwriting Surplus/(Deficit)	766,333	1,107,284	268,309	1,331,005	(2,424,689)	(1,469,005)	(420,762)
4. Adjustments:							
Investment Activity (Realized/Unrealized)	-	2,265	-	-	-	(392)	(392)
Recoveries	-	-	-	-	-	-	2,265
Total Adjustments	-	2,265	-	-	-	(392)	1,873
5. Gross Operating Surplus/(Deficit)	766,333	1,109,549	268,309	1,331,005	(2,424,689)	(1,469,397)	(418,889)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 766,333	\$ 1,109,549	\$ 268,309	\$ 1,331,005	\$ (2,424,689)	\$ (1,469,397)	\$ (418,889)
Current Year Claims (Net)	\$ 317,362	\$ 949,967	\$ 98,275	\$ 1,025,592	\$ -	\$ -	\$ 2,391,196
Prior Year Claims (Net)	-	-	-	-	-	-	-
Net Change in Claims Liabilities	\$ 317,362	\$ 949,967	\$ 98,275	\$ 1,025,592	\$ -	\$ -	\$ 2,391,196

## PUBLIC ENTITY JOINT INSURANCE FUND

2014 FUND YEAR  
OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

	COVERAGES AND OTHER ACCOUNTS						TOTALS
	PROPERTY	GENERAL LIABILITY	AUTOMOTIVE	WORKERS' COMPENSATION	EXCESS INSURANCE POLICIES	GENERAL AND ADMINISTRATIVE	
1. Underwriting Income:							
Regular Contributions	\$ 601,232	\$ 1,256,581	\$ 421,388	\$ 1,733,708	\$ -	\$ -	\$ 4,012,909
2. Incurred Liabilities							
Claims (Net)	145,201	2,419,399	144,178	137,813	-	-	2,846,591
Expenses	-	-	-	-	1,538,932	1,005,562	2,544,494
Total Liabilities	145,201	2,419,399	144,178	137,813	1,538,932	1,005,562	5,391,085
3. Underwriting Surplus/(Deficit)	456,031	(1,162,818)	277,210	1,595,895	(1,538,932)	(1,005,562)	(1,378,176)
4. Adjustments:							
Investment Activity (Realized/Unrealized)	-	146,591	-	-	-	178	178
Recoveries	-	-	-	-	-	-	146,591
Total Adjustments	-	146,591	-	-	-	178	146,769
5. Gross Operating Surplus/(Deficit)	456,031	(1,016,227)	277,210	1,595,895	(1,538,932)	(1,005,384)	(1,231,407)
6. Return of Surplus	-	-	-	-	-	-	-
7. Net Current Position/(Deficit)	\$ 456,031	\$ (1,016,227)	\$ 277,210	\$ 1,595,895	\$ (1,538,932)	\$ (1,005,384)	\$ (1,231,407)
Current Year Claims (Net)	\$ 145,201	\$ 2,419,399	\$ 144,178	\$ 137,813	\$ -	\$ -	\$ 2,846,591
Prior Year Claims (Net)	173,000	1,773,567	3,527	263,288	-	-	2,213,382
Net Change in Claims Liabilities	\$ (27,799)	\$ 645,832	\$ 140,651	\$ (125,475)	\$ -	\$ -	\$ 633,209

PUBLIC ENTITY JOINT INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS - ALL YEARS COMBINED  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 341,231	\$ 257,157	\$ 22,065	\$ 262,117	\$ 882,570
Case Reserves	110,303	1,267,465	61,395	380,405	1,819,568
IBNR Reserves	11,029	1,844,744	158,993	520,883	2,535,649
Subtotal	<u>462,563</u>	<u>3,369,366</u>	<u>242,453</u>	<u>1,163,405</u>	<u>5,237,787</u>
Less:					
Recoveries	-	148,856	-	-	148,856
Subtotal	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Claims Expense (Net)	<u>\$ 462,563</u>	<u>\$ 3,220,510</u>	<u>\$ 242,453</u>	<u>\$ 1,163,405</u>	<u>\$ 5,088,931</u>

PUBLIC ENTITY JOINT INSURANCE FUNDFUND YEAR CLAIMS ANALYSIS  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 341,231	\$ 257,157	\$ 22,065	\$ 262,117	\$ 882,570
Case Reserves	110,303	1,267,465	61,395	380,405	1,819,568
IBNR Reserves	11,029	1,844,744	158,993	520,883	2,535,649
Subtotal	<u>462,563</u>	<u>3,369,366</u>	<u>242,453</u>	<u>1,163,405</u>	<u>5,237,787</u>
Less:					
Recoveries	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Subtotal	<u>-</u>	<u>148,856</u>	<u>-</u>	<u>-</u>	<u>148,856</u>
Claims Expense (Net)	<u>\$ 462,563</u>	<u>\$ 3,220,510</u>	<u>\$ 242,453</u>	<u>\$ 1,163,405</u>	<u>\$ 5,088,931</u>

PUBLIC ENTITY JOINT INSURANCE FUND

## FUND YEAR CLAIMS ANALYSIS

FUND YEAR - 2015

DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 211,868	\$ 4,395	\$ 6,987	\$ 232,935	\$ 456,185
Case Reserves	95,904	189,623	17,100	335,712	638,339
IBNR Reserves	9,590	755,949	74,188	456,945	1,296,672
Subtotal	<u>317,362</u>	<u>949,967</u>	<u>98,275</u>	<u>1,025,592</u>	<u>2,391,196</u>
Less:					
Recoveries	-	2,265			2,265
Subtotal	<u>-</u>	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
Claims Expense (Net)	<u>\$ 317,362</u>	<u>\$ 947,702</u>	<u>\$ 98,275</u>	<u>\$ 1,025,592</u>	<u>\$ 2,388,931</u>

PUBLIC ENTITY JOINT INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS  
 FUND YEAR - 2014  
DECEMBER 31, 2015

	<u>PROPERTY</u>	<u>GENERAL LIABILITY</u>	<u>AUTOMOTIVE</u>	<u>WORKERS' COMPENSATION</u>	<u>TOTALS</u>
Claims Incurred	\$ 129,363	\$ 252,762	\$ 15,078	\$ 29,182	\$ 426,385
Case Reserves	14,399	1,077,842	44,295	44,693	1,181,229
IBNR Reserves	1,439	1,088,795	84,805	63,938	1,238,977
Subtotal	<u>145,201</u>	<u>2,419,399</u>	<u>144,178</u>	<u>137,813</u>	<u>2,846,591</u>
Less:					
Recoveries	-	146,591	-	-	146,591
Subtotal	<u>-</u>	<u>146,591</u>	<u>-</u>	<u>-</u>	<u>146,591</u>
Claims Expense (Net)	<u>\$ 145,201</u>	<u>\$ 2,272,808</u>	<u>\$ 144,178</u>	<u>\$ 137,813</u>	<u>\$ 2,700,000</u>

PUBLIC ENTITY JOINT INSURANCE FUND2015 FUND YEAR  
EXPENSE ANALYSIS  
DECEMBER 31, 2015REPORT YEAR 2015

## Excess Insurance:

Excess Insurance Premiums	<u>\$ 2,424,689</u>
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Subtotal Excess Insurance	<u>2,424,689</u>
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## Administrative Expenses:

Legal	5,394
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Treasurer	5,000
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## Other:

Auditor	17,442
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Administrative Consultant	321,490
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Safety Director	148,415
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Underwriting Manager	111,723
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Non-Contract Professional Services	27,997
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Claims Administration	367,523
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Actuary	25,750
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Risk Management	<u>438,271</u>
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Subtotal Administrative Expenses	<u>1,469,005</u>
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Total Expenses	<u><u>\$ 3,893,693</u></u>
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PUBLIC ENTITY JOINT INSURANCE FUND2014 FUND YEAR  
EXPENSE ANALYSIS  
DECEMBER 31, 2015REPORT YEAR 2014

Excess Insurance:	
Excess Insurance Premiums	<u>\$ 1,538,932</u>
Subtotal Excess Insurance	<u>1,538,932</u>
Administrative Expenses:	
Legal	10,277
Treasurer	5,000
Other:	
Auditor	16,000
Administrative Consultant	224,484
Safety Director	13,484
Underwriting Manager	78,430
Non-Contract Professional Services	11,136
Claims Administration	324,395
Actuary	34,000
Risk Management	<u>288,356</u>
Subtotal Administrative Expenses	<u>1,005,562</u>
Total Expenses	<u><u>\$ 2,544,494</u></u>

PUBLIC ENTITY JOINT INSURANCE FUNDCUMULATIVE OPERATING RESULTS ANALYSIS  
DECEMBER 31, 2015

Underwriting Income:	
Regular Contributions	<u>\$ 9,877,036</u>
Expenses:	
Claims:	
Paid	733,714
Case Reserves	1,819,568
IBNR Reserves	<u>2,535,649</u>
Claims - Net	<u>5,088,931</u>
Excess Insurance Premiums	3,963,621
Administrative	<u>2,474,566</u>
Total Expenses	<u>6,438,187</u>
Operating (Loss)	(1,650,082)
Investment Income	-
Realized/Unrealized Gain	<u>(214)</u>
Total Non-Operating Income	<u>(214)</u>
Net Income (Loss)	<u>\$ (1,650,296)</u>
Cumulative Net Position - December 31, 2015	<u><u>\$ (1,650,296)</u></u>

PUBLIC ENTITY JOINT INSURANCE FUNDPROGRAM SUMMARYFUND YEAR 2015DECEMBER 31, 2015COVERAGES

	<u>Property</u>	<u>Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Employment Practices Liability</u>
<u>Limits</u>	\$ 350,000,000	\$ 15,000,000 per occurrence	\$ 15,000,000 per occurrence	Statutory	\$ 15,000,000
<u>Fund Retention</u>					
Specific Aggregate:					
Property	\$ 50,000	\$ 250,000	\$ 250,000	\$ 750,000	\$ 250,000
Auto Property	50,000				
All Lines of Business					
Stop Loss Aggregate	\$ 3,000,000				
<u>Excess Insurers</u>	\$ 200,000,000	The Travelers Insurance Co. provides excess property, auto physical damage and equipment breakdown coverages up to a \$350,000,000 limit in excess of the PEJIF retention levels above. Brit Global Specialty USA provides excess general, employment practices, public officials, law enforcement, automobile and employers liability coverage up to a \$10 million limit per occurrence. Catlin Specialty Insurance Co. provides \$5 million excess of the \$10 million Brit insurance limit. Brit Global Specialty USA provides \$750,000 in excess of the workers compensation PEJIF retention level above and Safety National Insurance Co. provides Statutory limits above \$1.5 million. The Travelers Insurance Co. provides Crime Insurance up to a \$1 million limit, subject to a \$10,000 deductible to members/PEJIF.			
<u>Numbers of Participants</u>	7	7	7	7	6