

SCHOOL POOL FOR EXCESS LIABILITY LIMITS

JOINT INSURANCE FUND

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

JUNE 30, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund
P.O. Box 449
6000 Sagemore Drive, Suite 6203
Marlton, New Jersey 08053

Report on the Financial Statements

We have audited the accompanying financial statements of the School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, 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 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.

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

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fund as of June 30, 2020 and 2019 and the changes in its financial position and its cash flows for the fiscal years then ended, in conformity 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 other required supplementary information 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 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.

Other Information

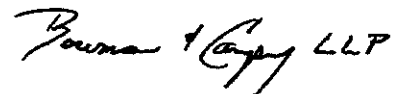
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements and are presented for purposes of additional analysis. The accompanying supplementary schedules listed in the table of contents 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2021 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 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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 31, 2021

**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 AUDITOR'S REPORT

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund
P.O. Box 449
6000 Sagemore Drive, Suite 6203
Marlton, New Jersey 08053

We have audited, in accordance with the 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 in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the School Pool For Excess Liability Joint Insurance Fund (the "Fund"), as of June 30, 2020 and for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated March 31, 2021.

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 opinion 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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
School Pool For Excess Liability
Limits Joint Insurance Fund

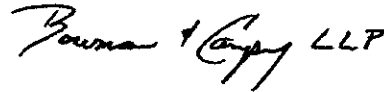
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of 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, and audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 and the audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is stylized and cursive.

Bowman & Company LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
March 31, 2021

School Pool For Excess Liability Limits Joint Insurance Fund

Management's Discussion and Analysis - Unaudited

This section of the annual financial report of the School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") presents a discussion and analysis of the financial performance of the Fund for the fiscal years ended June 30, 2020, 2019 and 2018. Please read it in conjunction with the basic financial statements 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 property and casualty insurance coverage for school districts 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:

Comparative Statements of Net Position – This statement presents information reflecting the Fund's assets, liabilities, reserves, and net position. Net position represents the amount of total assets less total liabilities and reserves.

Comparative Statements of Revenues, 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.

Comparative Statements of Cash Flows – The comparative statements 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 net position and results of operations for the Fund as of and for the fiscal years ended June 30, 2020, 2019 and 2018.

Statement Of Net Position			2019 to 2020 Change	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Amount</u> <u>Percentage</u>
Assets				
Cash And Cash Equivalents	\$ 6,531,589	\$ 5,412,376	\$ 4,064,949	\$ 1,119,213 20.7%
Investments	1,500,000	1,000,000	1,000,000	500,000 50.0%
Other Assets	3,861,785	4,077,201	4,686,467	(215,416) -5.3%
Total Assets	<u>11,893,374</u>	<u>10,489,577</u>	<u>9,751,416</u>	<u>1,403,797</u> <u>13.4%</u>
Liabilities And Reserves & Net Position				
Liabilities And Reserves				
Loss Reserves	3,101,313	3,217,521	3,811,901	(116,208) -3.6%
Other Liabilities	1,074,362	1,043,057	1,394,727	31,305 3.0%
Total Liabilities And Reserves	<u>4,175,675</u>	<u>4,260,578</u>	<u>5,206,628</u>	<u>(84,903)</u> <u>-2.0%</u>
Net Position - Unrestricted	<u>\$ 7,717,699</u>	<u>\$ 6,228,999</u>	<u>\$ 4,544,788</u>	<u>\$ 1,488,700</u> <u>23.9%</u>

Statement Of Revenues, Expenses, And Changes In Net Position Summary			2019 to 2020 Change	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Amount</u> <u>Percentage</u>
Operating Revenue				
Regular Contributions & Other Income	\$ 11,680,021	\$10,236,453	\$10,542,671	\$ 1,443,568 14.1%
Operating Expenses				
Provision For Claims And Claims				
Adjustment Exepsnes (Recoveries)	(181,223)	(594,332)	864,221	413,109 -69.5%
Insurance Premiums	9,594,963	8,302,559	7,601,029	1,292,404 15.6%
Professional & Contractual Services	936,182	995,181	890,612	(58,999) -5.9%
Total Operating Expenses	<u>10,349,922</u>	<u>8,703,408</u>	<u>9,355,862</u>	<u>1,646,514</u> <u>18.9%</u>
Operating Income	<u>1,330,099</u>	<u>1,533,045</u>	<u>1,186,809</u>	<u>(202,946)</u> <u>-13.2%</u>
Investment Income	<u>158,601</u>	<u>151,166</u>	<u>70,443</u>	<u>7,435</u> <u>4.9%</u>
Change In Net Position	<u>\$ 1,488,700</u>	<u>\$ 1,684,211</u>	<u>\$ 1,257,252</u>	<u>\$ (195,511)</u> <u>-11.6%</u>

Financial Highlights Continued

Overall increases in total premiums reflect exposure increases within the fund membership.

The Fund saw a 11.1% increase in the Fund's overall Budget prior to the addition of Margate City Board of Education. Reinsurance costs increased 8.5% (\$620,698) while Group Insurance costs increased 4.5% (\$82,776). The \$462,051 (67.8%) increase in Student Accident is primarily a result of additional Districts purchasing Student Accident through the JIF. Operating Expenses increased 3.5%, which is primarily a result of the increase in Property Appraisal fees.

The Fund reports an overall surplus position as well as in each individual fund year.

Economic Conditions

Investment Income continues to increase (4.9% or \$7,435) over the prior fiscal year stemming from better market conditions stemming from better interest rates. The Fund regularly monitors investment maturities in reference to liabilities and market conditions.

Reinsurance costs globally have trended into a quickly developing hard market. Global property markets continue to experience significant rate pressure because of catastrophic hurricane, fire, flood and hail loss events ranging from \$30 to \$60+ billion in 2017, 2018 and 2019. The global liability market has also hardened dramatically as rates skyrocket and capacity decreases. The liability market pressures are the result of various high dollar verdicts that are becoming more frequent across coverage lines, specifically in the area of sexual abuse and molestation. In the State of NJ, coverage for such losses has become materially restrictive and more difficult to secure due to the reviver law that provides broad expansion of the applicable statute of limitations with regard to reporting. Workers' compensation costs remain relatively stable, but continue to be influenced by medical inflation and increased indemnity awards. The current COVID-19 pandemic and the potential far-reaching impact economically is still unfolding and difficult to measure at this time. Generally, extended periods of economic stability are accompanied by corresponding stability in overall workers' compensation loss experience. Employment practice exposures are always a material concern and exposures continue to grow because of the development and expansion of laws in this area. The Fund monitors these economic conditions and continues an emphasis on employer & employee training to reduce accidents and claims.

Contacting the Fund's Management

This financial report is designed to provide the School Pool For Excess Liability Limits members and the Department of Banking and Insurance of the State of New Jersey with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the School Pool For Excess Liability Limits at the Fund office located 6000 at Sagemore Drive, Suite 6203, Marlton, New Jersey 08053 or by phone at (856) 446-9132.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash And Cash Equivalents	\$ 6,531,589	\$ 5,412,376
Investments	1,500,000	1,000,000
Interest Receivable	562	945
Excess Insurance Receivable	281,405	173,422
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions	<u>3,579,818</u>	<u>3,902,834</u>
Total Assets	<u>11,893,374</u>	<u>10,489,577</u>
 <u>LIABILITIES AND RESERVES</u>		
Liabilities:		
Claims Payable	967,138	924,176
Accrued Expenses	<u>107,224</u>	<u>118,881</u>
Total Liabilities	<u>1,074,362</u>	<u>1,043,057</u>
Claims Reserves:		
Case Reserves	3,939,956	3,789,827
Provision For Excess Insurance Recoverable	<u>(838,643)</u>	<u>(572,306)</u>
Net Claims Reserves	<u>3,101,313</u>	<u>3,217,521</u>
Total Liabilities And Reserves	<u>4,175,675</u>	<u>4,260,578</u>
 <u>NET POSITION</u>		
Unrestricted	<u>\$ 7,717,699</u>	<u>\$ 6,228,999</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue:		
Regular Contributions	\$ 12,003,037	\$ 10,776,841
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions Change	<u>(323,016)</u>	<u>(540,388)</u>
Total Operating Revenue	<u>11,680,021</u>	<u>10,236,453</u>
Operating Expenses:		
Provision For Claims And Claims Adjustment Expenses (Recoveries)	(181,223)	(594,332)
Insurance Premiums	9,594,963	8,302,559
Administrative Expenses:		
Actuary - The Actuarial Advantage	6,789	6,623
Attorney - Louis J. Grecco, Esq.	9,405	9,000
Auditor - Bowman & Company LLP	15,240	13,070
Collaborative Network - Cloudburst Development LLC	50,000	50,000
Contingency - Various	4,432	22,581
Extranet Provider - Safe & Secure Legal Files Exchange LLC	42,000	42,000
Fund Administrator - Risk Program Administrators	4,992	4,992
General Ledger Management - Verrill & Verrill, LLC	17,070	16,820
Marketing - Various	42,486	69,963
Miscellaneous And Other Expenses - Various	9,766	10,173
PRIMA Conference	3,101	1,575
Property Appraisals - Duff & Phelps, LLC	50,481	88,449
Treasurer - Verrill & Verrill, LLC	8,200	8,050
Underwriting Mgr - Risk Program Administrators	661,348	643,579
Website Hosting & Maintenance - Big Boom Design	<u>10,872</u>	<u>8,306</u>
Total Operating Expenses	<u>10,349,922</u>	<u>8,703,408</u>
Operating Income	1,330,099	1,533,045
Non-Operating Revenue:		
Investment Income	<u>158,601</u>	<u>151,166</u>
Change In Net Position	1,488,700	1,684,211
Net Position, Beginning	<u>6,228,999</u>	<u>4,544,788</u>
Net Position, Ending	<u>\$ 7,717,699</u>	<u>\$ 6,228,999</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Receipts From Regular Contributions	\$ 12,003,420	\$ 10,476,998
Payment For (Recoveries From) Claims	(6)	9,609
Payments For Insurance Premiums	(9,599,881)	(8,301,125)
Payments To Professionals And Suppliers	<u>(942,921)</u>	<u>(989,221)</u>
Net Cash Flows Provided By Operating Activities	<u>1,460,612</u>	<u>1,196,261</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(1,000,000)	(500,000)
Sale of Investments	500,000	500,000
Investment Income	<u>158,601</u>	<u>151,166</u>
Net Cash Flows Provided By (Used In) Investing Activities	<u>(341,399)</u>	<u>151,166</u>
Net Increase In Cash And Cash Equivalents	1,119,213	1,347,427
Cash And Cash Equivalents, Beginning	<u>5,412,376</u>	<u>4,064,949</u>
Cash And Cash Equivalents, Ending	<u>\$ 6,531,589</u>	<u>\$ 5,412,376</u>
Reconciliation Of Operating Income To		
Cash Flows From Operating Activities:		
Operating Income	\$ 1,330,099	\$ 1,533,045
Adjustments To Reconcile Operating Income To		
Net Cash Provided By Operating Activities:		
Changes In Assets And Liabilities:		
Interest Receivable	383	(308)
Excess Insurance Receivable	(107,983)	69,186
Aggregate Loss Fund Contingency		
Prospective Supplemental Contributions	323,016	540,388
Claims Payable	42,962	(59,529)
Accrued Expenses	(11,657)	7,394
Unearned Revenue	-	(299,535)
Case Reserves	<u>(116,208)</u>	<u>(594,380)</u>
Net Cash Flows Provided By Operating Activities	<u>\$ 1,460,612</u>	<u>\$ 1,196,261</u>

The Accompanying Notes To Financial Statements Are An Integral Part Of This Statement.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 1: ORGANIZATION AND DESCRIPTION OF THE FUND

The School Pool For Excess Liability Limits Joint Insurance Fund (the "Fund") was formed on July 1, 2001, in accordance with P.L. 1983, C.108, entitled "An Act Concerning Board of Education Insurance", under the provisions of N.J.S.A. 18A: 18B1-10. The Fund is operated in accordance with regulations of the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The Board of Trustees and owner group delegates of the Fund may approve the membership of any New Jersey School Board Group by a two-thirds vote or may terminate any member by a two-thirds vote, after proper notice has been given. Approval of participation is granted for a specific term of three years.

During the fiscal year ended June 30, 2020, members of the Fund included the Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund, Burlington County Insurance Pool Joint Insurance Fund, the Gloucester, Cumberland, Salem School Districts Joint Insurance Fund and the Suburban Essex Joint Insurance Fund.

All members' contributions to the Fund, including a reserve for contingencies, are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Banking and 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 provides the following excess coverages to its members:

- Property (including Crime, Inland Marine and Auto Physical Damage)
- General Liability
- Automobile Liability
- Workers' Compensation
- Educator's Legal Liability
- Boiler and Machinery (Group Purchase)
- Pollution Legal Liability (Group Purchase)
- Student Accident Insurance (Group Purchase)
- Cyber Liability (Group Purchase)
- Violent Malicious Acts (Group Purchase)
- Disaster Management (Group Purchase)
- Unmanned Aerial Systems (Group Purchase)

The Fund also provides aggregate excess insurance to its members. Each member's annual attachment point is set at the total of its current budgeted accumulated loss funding for specific retention plus an additional ten percent. The Fund maintains an aggregate excess loss contingency trust fund for losses in excess of the Fund's budgeted specific loss trust funds. Funding of the aggregate excess loss contingency trust fund is determined according to the Fund's bylaws.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant policies followed by the Fund in the preparation of the accompanying financial statements:

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Component Unit

In evaluating how to define the Fund for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34* and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. Blended component units, although legally separate entities, are in-substance part of the primary entity's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary entity.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the primary entity. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the primary entity is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary entity could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Fund has no component units and is not includable in any other reporting entity.

Basis of Presentation

The financial statements of the Fund have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Member Assessments are recognized as revenue at the time of assessment.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the comparative statements of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments, which may be purchased by New Jersey municipal units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Additionally, the Fund has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Investments

The Fund generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Fund categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Income Allocation

Interest accruals, interest payments on cash instruments, net of investment management fees, and unrealized gains and losses on the fair value of investments are allocated every month based upon each line of coverage's share of opening cash and investment balances.

Annual Contributions

Annual contributions, as determined by the Fund's Board of Trustees, are due within 30 days of the due date fixed by the Board of Trustees, but not later than February 1. Total contributions are recognized as earned revenue evenly over the fiscal contract period or period of risk, if different.

Supplemental Contributions

The Board of Trustees shall by majority vote levy upon the participants additional assessments whenever needed or so ordered by the Commissioner of Banking and Insurance to supplement the Fund's claim, loss retention or administrative accounts, after consideration of anticipated investment income, to assure the payment of the Fund's obligations. Supplemental contributions to cover a deficit are recognized as revenue upon approval whether or not actually received.

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) 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. 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. Adjustments to claims liabilities are reflected in reserves and cumulative expenses in the periods being reported upon.

- A. **Reported Claims Case Reserves**
Case reserves include estimated unpaid claims cost for both future payments of losses and related allocated claim adjustment expenses as reported by the service agent, Qual-Lynx, Inc.
- B. **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, The Actuarial Advantage, Inc.

Case and IBNR Reserve loss calculations represent the estimated liability on expected future development on claims already reported to the Fund and claims incurred but not reported and unknown loss events that are expected to become claims. The liabilities for claims and related adjustment expenses are evaluated using Fund and industry data, case basis evaluations and other statistical analyses, and represent estimates of the ultimate net cost of all losses incurred through June 30, 2020.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Unpaid Claims Liabilities (cont'd)

These liabilities are subject to variability between estimated ultimate losses determined as described and the actual experience as it emerges, including the impact of future changes in claim severity, frequency, and other factors. Management believes that the liabilities for unpaid claims above are adequate. The estimates are reviewed periodically and as adjustments to these liabilities become necessary, such adjustments are reflected in current operations.

Specific/Aggregate Excess Insurance

Specific Excess Insurance - The Fund records each claim at the estimated ultimate cost of settlement even if the costs should exceed the Fund's specific claim self-insured retention level.

Although the excess carrier is liable to the Fund for the amounts insured, the Fund remains liable to its insured's for the full amount of the policies written whether or not the excess carrier meets its obligations to the Fund. Failure of the excess carrier to honor its obligations could result in losses to the Fund. The Fund's Insurance Broker evaluates the financial condition of the excess carrier and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the excess carrier to minimize the Fund's exposure to significant losses from excess carrier insolvencies.

Aggregate Excess Insurance - The Fund secured \$2,000,000 of commercial aggregate coverage above the combined budgeted loss funds and unfunded risk windows of the Fund and its four (4) owner groups effective July 1, 2004, thus significantly reducing the likelihood of potential supplemental liabilities to each group.

The Fund has the flexibility to manage the allocation strategy for "shared" aggregate losses to minimize and/or eliminate the remaining exposure to potential supplemental liabilities. With the addition of commercial aggregate protection in 2003-2004, the loss funding was structured to maximize savings under the law of large numbers theory. The Fund and each owner group have a specific level of total funding responsibility (attachment point) that they have the flexibility of managing with or without an unfunded risk window.

The ultimate incurred losses of the Fund and each owner group are limited to each entities specific attachment point. Aggregate loss development of the Fund and each owner group beyond their applicable attachment point is shared across all groups, eroding any available loss fund surpluses as measured at a point in time. The combined funding responsibility of the Fund and its owner groups for 2019-2020 and 2018-2019 is \$21,491,963 and \$21,174,470, respectively.

The aggregation of losses up to the required combined funding level are allocated on a shared basis to erode all available budgeted loss funds before attaching to the \$2,000,000 commercial aggregate coverage.

An individual owner group may experience a reduction to available 2019-2020 budget surplus as a result of "shared" aggregate loss allocation strategy, but the owner group's ultimate liability would not exceed their respective initial level of total funding responsibility.

The Fund ceded \$133,983 and \$17,032 of losses to excess carriers during the fiscal years ended June 30, 2020 and 2019, respectively.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Transfers

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

Intrafund transfers may be conducted by the fund at any time. Intrafund transfers require prior approval of the Department of Banking and Insurance and may be conducted only where each member participates in every loss retention fund account during that fund year.

The Commissioner of the Department of Banking and Insurance shall waive the full participation requirement provided the Fund demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the account receiving the transfer.

Intrafund transfers require thirty days prior written notification to the Department of Banking and Insurance. The Fund may seek approval from the Commissioner to make intrafund transfers at any time from a claims or loss retention trust account from any fund year that has been completed for at least twenty-four months. The intrafund 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 outlined in N.J.A.C. 11:15-4.21.

The membership for each fiscal year involving intrafund transfers must be identical between fiscal years. The Commissioner of the Department of Banking and Insurance shall waive the identical membership requirement provided the Fund demonstrates to the Department that it maintains records of each members pro rata share of each claim or loss retention Fund account, and that the transfer shall be made so that any potential dividend shall not be reduced for a member that did not participate in the year receiving the transfer.

Subrogation

In the event of any payment by the Fund, the rights of recovery of the member group on whose behalf the payment was made shall be subrogated to the rights of the Fund. Subrogation and all other recoverable claim amounts, excluding excess insurance, are recognized upon receipt of cash only.

Return of Surplus/Dividends

Refunds (dividends) are recognized upon authorization of the Fund's Trustees. Any moneys for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year may be declared to be refundable by the Fund no less than twenty-four months after the end of the fiscal year. The initial and any subsequent refund for any year from a Claim or Loss Retention Account 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 outlined in N.J.A.C. 11:15-4.21.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Return of Surplus/Dividends (Cont'd)

A full and final refund of net current surplus will not be allowed until all case reserves and all unpaid claim reserves are closed. A refund for any fiscal year shall be paid only in proportion to the members' participation (percentage of contribution to all contributions) to the fund for such year. Payment of a refund on a previous year shall not be contingent on the members' continued membership in the fund after that year.

Administrative Expenses

Administrative expenses are comprised mainly of compensation for services rendered by servicing organizations and appointed officials pursuant to written fee guidelines submitted and approved by a majority of the Delegates/Board of Trustees. In instances where invoices have not been submitted for specific periods, the maximum allowable contract amount has been accrued.

Income Taxes

The Fund is exempt from income taxes under Section 115 of the Internal Revenue Code.

Net Position

In accordance with the provisions of the Governmental Accounting Standards Board Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", the Fund has classified its net position as unrestricted. This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets" and includes net position that may be allocated for specific purposes by the Board.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from member contributions. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts.

Operating expenses include expenses associated with the fund operations, including claims expense, insurance and administrative expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Fund's deposits might not be recovered. Although the Fund does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Fund in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Fund relative to the happening of a future condition. If the Fund had any such funds, they would be shown as Uninsured and Uncollateralized.

Of the Fund's bank balance of \$7,291,023 as of June 30, 2020, \$500,000 was insured while \$6,791,023 was collateralized under GUDPA.

Of the Fund's bank balance of \$2,343,328 as of June 30, 2019, \$500,000 was insured while \$1,843,328 was collateralized under GUDPA.

New Jersey Cash Management Fund

During the fiscal year, the Fund participated in the New Jersey Cash Management Fund. The Cash Management Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At June 30, 2020 and 2019, the Fund's deposits with the New Jersey Cash Management Fund were \$130,602 and \$3,083,898, respectively.

Note 4: INVESTMENTS

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty's trust department or the agent but not in the Fund's name. All of the Fund's investments in Certificates of Deposit totaling \$1,500,000 and \$1,000,000 as of June 30, 2020 and 2019, respectively, were held by either the counterparty or counterparty's trust department or agent, but not in the Fund's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To limit risk, the Fund's investment policy provides that no investment or deposit shall have a maturity longer than five (5) years from date of purchase.

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 4: INVESTMENTS (CONT'D)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Fund may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Fund has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Fund does not place a limit on the amount that may be invested in any one issuer. All of the Fund's investments are in certificates of deposit.

As of June 30, 2020 and 2019, the Fund had the following investments and maturities:

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Market Value</u>	
				<u>2020</u>	<u>2019</u>
Certificate Of Deposit	3.000%	7/29/2020	N/A	\$ 1,000,000	
Certificate Of Deposit	2.500%	10/16/2020	N/A	500,000	
Certificate Of Deposit	1.600%	10/16/2019	N/A		\$ 500,000
Certificate Of Deposit	3.000%	4/16/2020	N/A		500,000
Total Investments				<u>\$ 1,500,000</u>	<u>\$ 1,000,000</u>

Fair Value Measurements of Investments

The Fund categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fund has the following recurring fair value measurements as of June 30, 2020 and 2019:

Certificates of Deposit of \$1,500,000 and \$1,000,000 are valued using quoted market prices for identical assets (Level 1 inputs).

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 5: 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 related allocated claim adjustment expenses.

The following represents changes in those aggregate undiscounted reported and unreported liabilities for the fiscal years ended June 30, 2020 and 2019 and for all open Fund years net of excess insurance recoveries:

	<u>2020</u>	<u>2019</u>
Total Unpaid Claim And Claim		
Adjustment Expenses - Beginning	\$ 4,141,697	\$ 4,795,606
Incurred Claims And Claims Adjustment Expenses:		
Provision For Insured Events Of Current Fund Year	-	-
Changes In Provision For Insured Events Of		
Prior Fund Years	(181,223)	(594,332)
Total Incurred Claims And Claims		
Adjustment Expenses All Fund Years	(181,223)	(594,332)
Payments (Net Of Subrogation):		
Claims And Claims Adjustment Payments:		
Attributable To Insured Events Of Current Fund Year	-	-
Attributable To Insured Events Of Prior Fund Years	(107,974)	59,574
Total Payments All Fund Years	(107,974)	59,574
Total Unpaid Claim And Claim		
Adjustment Expenses - Ending	\$ 4,068,451	\$ 4,141,697
Analysis of Balance		
Claims Payable	\$ 967,138	\$ 924,176
Case Reserves (Net Of Recoverables)	3,101,313	3,217,521
	\$ 4,068,451	\$ 4,141,697

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS

As of June 30, 2020 and 2019, the Fund recorded loss reserves resulting in a \$3,579,818 and \$3,902,834 deficit in its loss funds for all fund years, respectively. Should the reserves develop into actual paid claims, the Fund has calculated that the members will be assessed supplemental contributions as follows:

	<u>2020</u>	<u>2019</u>
Fund Year June 30, 2002		
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 82,476	\$ 101,969
Burlington County Insurance Pool JIF	178,225	220,348
Gloucester, Cumberland, Salem School Districts JIF	47,716	58,994
Suburban Essex Municipal JIF	<u>7,584</u>	<u>9,377</u>
Total Fund Year June 30, 2002	<u>316,001</u>	<u>390,688</u>
Fund Year June 30, 2003		
Atlantic & Cape May Counties Association Of Business Officials JIF	72,711	72,711
Burlington County Insurance Pool JIF	157,124	157,124
Gloucester, Cumberland, Salem School Districts JIF	42,067	42,067
Suburban Essex Municipal JIF	<u>6,686</u>	<u>6,686</u>
Total Fund Year June 30, 2003	<u>278,588</u>	<u>278,588</u>
Fund Year June 30, 2004		
Atlantic & Cape May Counties Association Of Business Officials JIF	7,320	7,321
Burlington County Insurance Pool JIF	15,080	15,082
Suburban Essex Municipal JIF	<u>3,293</u>	<u>3,293</u>
Total Fund Year June 30, 2004	<u>25,693</u>	<u>25,696</u>
Fund Year June 30, 2005		
Burlington County Insurance Pool JIF	304,955	302,793
Gloucester, Cumberland, Salem School Districts JIF	71,770	72,038
Suburban Essex Municipal JIF	<u>56,206</u>	<u>56,415</u>
Total Fund Year June 30, 2005	<u>432,931</u>	<u>431,246</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS (CONT'D)

	<u>2020</u>	<u>2019</u>
Fund Year June 30, 2006		
Burlington County Insurance Pool JIF	\$ 202,717	\$ 195,428
Gloucester, Cumberland, Salem School Districts JIF	111,979	107,665
Suburban Essex Municipal JIF	<u>51,467</u>	<u>49,484</u>
Total Fund Year June 30, 2006	<u>366,163</u>	<u>352,577</u>
Fund Year June 30, 2008		
Atlantic & Cape May Counties Association Of Business Officials JIF	344	528
Burlington County Insurance Pool JIF	39,450	39,277
Gloucester, Cumberland, Salem School Districts JIF	<u>5,248</u>	<u>5,238</u>
Total Fund Year June 30, 2008	<u>45,042</u>	<u>45,043</u>
Fund Year June 30, 2009		
Burlington County Insurance Pool JIF	448,192	456,189
Gloucester, Cumberland, Salem School Districts JIF	212,015	204,969
Suburban Essex Municipal JIF	<u>62,962</u>	<u>62,011</u>
Total Fund Year June 30, 2009	<u>723,169</u>	<u>723,169</u>
Fund Year June 30, 2010		
Burlington County Insurance Pool JIF	130,069	184,937
Gloucester, Cumberland, Salem School Districts JIF	8,047	20,050
Suburban Essex Municipal JIF	<u>12,527</u>	<u>17,811</u>
Total Fund Year June 30, 2010	<u>150,643</u>	<u>222,798</u>
Fund Year June 30, 2011		
Burlington County Insurance Pool JIF	-	1,859
Gloucester, Cumberland, Salem School Districts JIF	389,575	356,117
Suburban Essex Municipal JIF	<u>110,826</u>	<u>102,788</u>
Total Fund Year June 30, 2011	<u>500,401</u>	<u>460,764</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 6: PROSPECTIVE SUPPLEMENTAL CONTRIBUTIONS (CONT'D)

	<u>2020</u>	<u>2019</u>
Fund Year June 30, 2014		
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 346,693	\$ 559,168
Burlington County Insurance Pool JIF	193,568	326,294
Suburban Essex Municipal JIF	<u>2,432</u>	<u>-</u>
Total Fund Year June 30, 2014	<u>542,693</u>	<u>885,462</u>
Fund Year June 30, 2017		
Atlantic & Cape May Counties Association Of Business Officials JIF	-	6,034
Burlington County Insurance Pool JIF	-	8,030
Gloucester, Cumberland, Salem School Districts JIF	<u>-</u>	<u>4,451</u>
Total Fund Year June 30, 2017	<u>-</u>	<u>18,515</u>
Fund Year June 30, 2018		
Atlantic & Cape May Counties Association Of Business Officials JIF	106,483	55,459
Burlington County Insurance Pool JIF	69,940	-
Suburban Essex Municipal JIF	<u>22,071</u>	<u>12,829</u>
Total Fund Year June 30, 2018	<u>198,494</u>	<u>68,288</u>
Total Aggregate Loss Fund Contingency Prospective Supplemental Contributions	<u>\$ 3,579,818</u>	<u>\$ 3,902,834</u>
Summary By Member		
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 616,027	\$ 803,190
Burlington County Insurance Pool JIF	1,739,320	1,907,361
Gloucester, Cumberland, Salem School Districts JIF	888,417	871,589
Suburban Essex Municipal JIF	<u>336,054</u>	<u>320,694</u>
Total Aggregate Loss Fund Contingency Prospective Supplemental Contributions	<u>\$ 3,579,818</u>	<u>\$ 3,902,834</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS
JOINT INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS

Note 7: PROVISION FOR EXCESS INSURANCE RECOVERABLE

The provision for excess insurance recoverable is the estimated amount of claims recoverable under the Fund's excess insurance contracts. This provision is subject to the variability between the estimated ultimate net cost of claims incurred and the actual loss experience as claims develop.

The provision at June 30, 2020 represents the aggregate of claim reserves in excess of the Fund's self-insured retention limits under the excess insurance contracts.

Note 8: GROUP PURCHASE ACCOUNT

The Fund offers additional coverage to its members for Boiler and Machinery Liability, Pollution Legal Liability and Student Accident Liability. The assessments and premium expense for these coverages are treated as pass-through items in the Group Purchase Account.

Note 9: RELATED PARTY TRANSACTIONS

Each member is an owner of the School Pool For Excess Liability Limits Joint Insurance Fund and pays excess insurance premiums to the Fund. Total excess insurance premiums paid to the Fund for the fiscal years ended June 30, 2020 and 2019 were as follows:

<u>Member</u>	<u>2020</u>	<u>2019</u>
Atlantic & Cape May Counties Association Of Business Officials JIF	\$ 3,626,548	\$ 3,230,989
Burlington County Insurance Pool JIF	5,670,053	5,050,339
Gloucester, Cumberland, Salem School Districts JIF	2,277,873	2,096,133
Suburban Essex Municipal JIF	428,563	399,380
	<u>\$ 12,003,037</u>	<u>\$ 10,776,841</u>

Note 10: COVID-19 PANDEMIC

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

SCHOOL POOL FOR EXCESS LIABILITY LIMITS

JOINT INSURANCE FUND

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Property</u>	<u>General Liability</u>	<u>Automobile</u>	<u>Workers' Compensation</u>	<u>Educator's Legal Liability</u>	<u>Aggregate Loss Fund Contingency</u>	<u>Total</u>
Total Unpaid Claim And Claim Adjustment Expenses - Beginning	\$ -	\$ 18,514	\$ -	\$ 236,928	\$ -	\$ 3,886,258	\$ 4,141,697
Incurred Claims And Claims Adjustment Expenses:							
Provision For Insured Events Of Current Fund Year							-
Changes In Provision For Insured Events Of Prior Fund Years		(108,220)		165,315	(269)	(238,049)	(181,223)
Total Incurred Claims And Claims Adjustment Expenses All Fund Years		(108,220)		165,315	(269)	(238,049)	(181,223)
Payments (Net Of Subrogation):							
Claims And Claims Adjustment Payments:							
Attributable To Insured Events Of Current Fund Year							-
Attributable To Insured Events Of Prior Fund Years		(89,706)		(17,999)	(269)		(107,974)
Total Payments All Fund Years	-	(89,706)	-	(17,999)	(269)	-	(107,974)
Total Unpaid Claim And Claim Adjustment Expenses - Ending	\$ -	\$ -	\$ -	\$ 420,242	\$ -	\$ 3,648,209	\$ 4,068,451
Analysis Of Balance:							
Claims Payable							\$ 967,138
Case Reserves (Net Of Recoverables)							3,101,313
							<u>\$ 4,068,451</u>

SCHOOL POOL FOR EXCESS LIABILITY LIMITS JOINT INSURANCE FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
AS OF JUNE 30, 2020

	FUND YEAR ENDED JUNE 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Earned Required Contribution										
And Investment Revenue:										
Earned	\$ 6,748,400	\$ 6,360,395	\$ 6,911,915	\$ 7,973,998	\$ 7,732,133	\$ 8,668,320	\$ 9,052,658	\$ 9,945,773	\$ 10,809,493	\$ 12,016,534
Ceded	5,596,309	5,672,503	6,083,425	6,777,775	7,004,354	7,537,145	7,147,053	7,570,410	8,301,059	9,594,963
Net Earned	1,152,091	687,892	828,490	1,196,223	727,779	1,131,175	1,905,605	2,375,363	2,508,434	2,421,571
Unallocated Expenses	586,086	654,489	615,729	610,343	656,706	731,710	837,083	883,649	986,918	942,136
Estimated Claims And										
Expenses, End of Policy Year:										
Incurred	524,486	-	-	459,100	380,001	-	14,000	880,754	-	-
Ceded	-	-	-	-	-	-	-	-	-	-
Net Incurred	524,486	-	-	459,100	380,001	-	14,000	880,754	-	-
Paid (Cumulative) As Of:										
End Of Policy Year	-	-	-	-	-	-	-	-	-	-
One Year Later	-	-	-	-	-	-	-	-	-	-
Two Years Later	-	-	-	-	-	-	-	-	-	-
Three Years Later	-	-	-	-	-	-	-	-	-	-
Four Years Later	-	-	-	-	-	-	-	-	-	-
Five Years Later	-	-	-	-	-	-	-	-	-	-
Six Years Later	-	-	-	-	-	-	-	-	-	-
Seven Years Later	-	-	-	-	-	-	-	-	-	-
Eight Years Later	-	-	-	-	-	-	-	-	-	-
Nine Years Later	-	-	-	-	-	-	-	-	-	-
Re-Estimated Ceded Claims										
And Expenses	-	-	-	-	-	-	-	-	-	-
Re-Estimated Net Incurred Claims										
And Expenses:										
End Of Policy Year	524,486	-	-	459,100	380,001	-	14,000	880,754	-	-
One Year Later	425,000	-	-	583,787	285,148	-	-	68,289	-	-
Two Years Later	-	63,854	-	633,787	-	-	18,514	198,494	-	-
Three Years Later	197,190	83,521	-	781,193	-	-	-	-	-	-
Four Years Later	599,689	-	-	726,789	-	-	-	-	-	-
Five Years Later	565,932	-	-	885,482	-	-	-	-	-	-
Six Years Later	345,774	-	-	542,693	-	-	-	-	-	-
Seven Years Later	359,774	-	-	-	-	-	-	-	-	-
Eight Years Later	460,784	-	-	-	-	-	-	-	-	-
Nine Years Later	500,401	-	-	-	-	-	-	-	-	-
Increase (Decrease) In Estimated Net Incurred										
Claims And Expenses From End Of Policy Year	\$ (24,085)	\$ -	\$ -	\$ 83,593	\$ (380,001)	\$ -	\$ (14,000)	\$ (682,260)	\$ -	\$ -

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and in compliance with audit requirements as prescribed by the Department of Banking and Insurance and the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

SCHEDULE OF FINANCIAL STATEMENT FINDINGS

None.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AS PREPARED BY MANAGEMENT

This section identifies the status of prior year audit findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

There were no findings in the prior year.

APPRECIATION

We express our appreciation for the assistance provided to us during our audit.

Respectfully submitted,

Bowman & Company LLP
Certified Public Accountants
& Consultants

A handwritten signature in black ink, appearing to read 'J. Miles', is written over the printed name.

James J. Miles
Certified Public Accountant