

SCHOOL EXCESS LIABILITY FUND
Financial Statements
June 30, 2020 and 2019
With Independent Auditor's Reports

School Excess Liability Fund
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June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Fund Commissioners,
School Excess Liability Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of School Excess Liability Fund (the Fund), which comprise the balance sheets as of June 30, 2020 and 2019, the related statements of revenue, expenses, and changes in fund surplus and cash flows for the years then ended, and the related notes to the financial statements.

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; 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 State of New Jersey, Department of Community Affairs and Banking and Insurance. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School Excess Liability Fund as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Fund has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is required to be part of the basic financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020 on our consideration of School Excess Liability Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of School Excess Liability Fund's 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 School Excess Liability Fund's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

November 10, 2020

**School Excess Liability Fund
Balance Sheets
June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 8,095,501	\$ 6,239,473
Investments	13,263,019	12,567,678
Accrued interest income	58,062	53,138
Due from School Alliance Insurance Fund	97,874	-
Due from reinsurer, net	2,613,960	2,941,463
Due from members	-	1,143
Prepaid expenses	4,580	-
	<u>\$ 24,132,996</u>	<u>\$ 21,802,895</u>
Liabilities and Fund Surplus		
Liabilities		
Loss reserves		
Case reserves	\$ 10,169,397	\$ 8,883,990
IBNR reserves	<u>7,919,836</u>	<u>6,657,984</u>
Total loss reserves	<u>18,089,233</u>	<u>15,541,974</u>
Other		
Administrative expenses payable	85,941	69,879
Insurance and reinsurance premiums payable	<u>105,244</u>	<u>66,718</u>
Total liabilities	18,280,418	15,678,571
Fund surplus	<u>5,852,578</u>	<u>6,124,324</u>
	<u>\$ 24,132,996</u>	<u>\$ 21,802,895</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Statements of Revenue, Expenses and Changes in Fund Surplus
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Underwriting income - regular contributions	\$ 17,845,779	\$ 16,976,091
Expenses		
Claims		
Paid	2,847,411	3,510,578
Increase (decrease) in case reserves	1,285,407	(231,202)
Increase in IBNR reserves	<u>1,261,852</u>	<u>1,222,179</u>
Claims - net	<u>5,394,670</u>	<u>4,501,555</u>
Insurance and reinsurance premiums	13,312,279	12,367,791
Administrative expenses	<u>196,778</u>	<u>86,815</u>
Total expenses	<u>18,903,727</u>	<u>16,956,161</u>
Operating income (loss)	<u>(1,057,948)</u>	<u>19,930</u>
Investment and other income, net	376,299	354,752
Change in fair value of investments	<u>409,903</u>	<u>378,089</u>
Investment income, net	<u>786,202</u>	<u>732,841</u>
Net income (loss)	(271,746)	752,771
Fund surplus		
Beginning of year	<u>6,124,324</u>	<u>5,371,553</u>
End of year	<u>\$ 5,852,578</u>	<u>\$ 6,124,324</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Underwriting income - regular contributions	\$ 17,845,779	\$ 16,976,091
Claims paid	(2,847,411)	(4,786,318)
Insurance and reinsurance premiums paid	(13,042,980)	(12,370,395)
Administrative expenses paid	<u>(185,297)</u>	<u>(123,403)</u>
Net cash provided by (used in) operating activities	<u>1,770,091</u>	<u>(304,025)</u>
Investing activities		
Sale/maturity of investment securities	2,827,056	3,703,712
Purchase of investment securities	(3,099,343)	(3,839,163)
Investment income	<u>358,224</u>	<u>361,200</u>
Net cash provided by investing activities	<u>85,937</u>	<u>225,749</u>
Net change in cash	1,856,028	(78,276)
Cash		
Beginning of year	<u>6,239,473</u>	<u>6,317,749</u>
End of year	<u>\$ 8,095,501</u>	<u>\$ 6,239,473</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ (1,057,948)	\$ 19,930
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Change in assets and liabilities		
Prepaid expenses	(4,580)	-
Due from School Alliance Insurance Fund	(97,874)	-
Due from members	1,143	(1,143)
Due from reinsurer	327,503	(1,274,599)
Case and IBNR reserves	2,547,259	990,979
Administrative expenses payable	16,062	(36,588)
Insurance and reinsurance premiums payable	<u>38,526</u>	<u>(2,604)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,770,091</u>	<u>\$ (304,025)</u>

The Notes to Financial Statements are an integral part of these statements.

School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS

The School Excess Liability Fund (the Fund) is a joint insurance fund which was formed effective July 1, 2004 under the provisions of N.J.S.A 18A:18B-1 et. seq. The Fund membership is open to all qualified joint insurance funds. The Fund's membership is currently comprised of School Alliance Insurance Fund and Diploma Joint Insurance Fund.

The Fund's general objective is to provide members with an alternative to the excess insurance market.

The bylaws of the Fund, as supplemented by the Risk Management Plan, set forth the various procedures which are to be followed in the organization, administration, and operation of the Fund.

Fund members are subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund liabilities. The Fund considers investment income when determining deficiencies.

The Administrator is responsible for the overall administration of the Fund. Fees paid to the Administrator cover all administrative costs; accordingly, the Fund does not maintain any fixed assets nor incur any employee payroll expense.

The Fund offers its members coverage for excess property, excess general and auto liability, excess workers' compensation, and employers' liability.

Losses in excess of the amounts below are covered by reinsurance and excess insurance contracts. Effective 2012/13, the fund has an additional per occurrence \$150,000 self-insured retention (SIR) on property for named storm systems that does not accrue to the aggregate.

The Fund's liability, self-insured retention or SIR, for claims is limited to the following coverage and amounts:

	<u>Fund Year(s)</u>	<u>Loss Type</u>	<u>Per Occurrence</u>	
			<u>SIR</u>	<u>Aggregate SIR</u>
Workers' Compensation and Employers' Liability	2004/2005 through 2010/2011	Loss & ALAE	\$ 250,000	None
	2011/2012 through 2015/2016	Loss & ALAE	\$ 150,000	None
	2016/2017 through 2019/2020	Loss & ALAE	\$ 250,000	None
Property and Liability	2006/2007	Loss & ALAE	\$ 150,000	\$ 813,956
	2007/2008	Loss & ALAE	\$ 150,000	\$ 857,901
	2008/2009	Loss & ALAE	\$ 150,000	\$ 808,021
	2009/2010	Loss & ALAE	\$ 150,000	\$ 799,300
	2010/2011	Loss & ALAE	\$ 150,000	\$ 890,767
	2011/2012	Loss & ALAE	\$ 150,000	\$ 874,700
	2012/2013	Loss & ALAE	\$ 150,000	\$ 900,000
	2013/2014	Loss & ALAE	\$ 150,000	\$ 900,000
	2014/2015	Loss & ALAE	\$ 150,000	\$ 900,000
	2015/2016	Loss & ALAE	\$ 150,000	\$ 1,134,148
	2016/2017	Loss & ALAE	\$ 150,000	\$ 1,100,000
	2017/2018	Loss & ALAE	\$ 150,000	\$ 1,166,000
2018/2019	Loss & ALAE	\$ 150,000	\$ 1,239,548	
2019/2020	Loss & ALAE	\$ 150,000	\$ 1,225,348	

School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units and insurance companies, where applicable. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses reflected as incurred.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In addition, certain actuarial assumptions have been made in the preparation of these financial statements. Actual results could differ from those estimates. Significant estimates included in these financial statements are fair market value of investments, case reserves, and incurred but not reported (IBNR) reserves.

Cash

The Fund considers all highly liquid investments with maturities of less than three months at the time of purchase to be cash.

Investments

The investments in government backed fixed maturities are carried at fair value. Fair value has been supplied by the custodian.

Revenue Recognition

The Financial Accounting Standards Board ("FASB"), issued new guidance that created Topic 606, *Revenue from Contracts with Customers* (ASC 606), in the Accounting Standards Codification (ASC). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs—Contracts with Customers* (ASC 340-40), which requires the deferral of incremental costs (primarily commissions) of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Fund adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. No adjustment to fund surplus as of January 1, 2019 was necessary. The Fund applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in minimal changes to the Fund's accounting policies for revenue recognition, trade receivables, unbilled receivables deferred costs, and deferred revenues.

School Excess Liability Fund

Notes to Financial Statements

June 30, 2020 and 2019

The Fund recognizes revenue as it fulfills its obligations under its agreements. The Fund performs the following steps (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Fund satisfies each performance obligation.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in Topic 606. The Fund's sole performance obligation is annual coverage provided to its members. Member assessments are recorded on the accrual basis. The member assessments of the participating municipalities are determined by the Fund Administrator and then certified by vote of the Fund's executive committee. There are no advance sums collected for the revenue streams except any prepayments recorded as a liability. Revenue is recognized in the year the coverage is in effect and is recognized ratably over the period the service is provided.

Claims Liabilities

The Fund establishes claims liabilities for the Fund's SIR loss and claim adjustment expense 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. Because actual claims cost depends 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 and historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. The Fund does not discount claim liabilities. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Subrogation and other recoverable claim amounts are recognized as a reduction of claim payments upon the receipt of cash or are accrued for if the recoverable amount is known.

Reinsurance

The Fund purchases reinsurance contracts in accordance with the Risk Management Plan. Although reinsurance does not discharge the primary liability of the Fund as direct insurer of the risk of loss, the Fund does not report the claim payments or liabilities under reinsurance contracts unless it is probable that those liabilities will not be covered by reinsurers. A contingent liability may exist with respect to reinsurance which would become an actual liability in the event any of the insurance companies might be unable to meet their obligations to the Fund.

Income Taxes

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

Fair Value of Financial Instruments

According to professional standards, the Fund measures its fair value under accounting principles generally accepted in the United States of America and provides disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs using a fair value hierarchy based on three levels of input, the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

3. CASH

At June 30, 2020 and 2019, cash consisted of deposits in operating checking accounts with various financial institutions. The carrying amount was \$8,095,501 and \$6,239,473 and the bank balance of the above accounts was \$8,348,097 and \$6,239,473 as of June 30, 2020 and 2019, respectively.

The bank balance has been deposited in public depositories and is fully insured up to \$250,000 per depository by the Federal Deposit Insurance Corporation (FDIC); the excess over the FDIC limit is fully collateralized by the bank or institution through the Government Unit Deposit Protection Act. The Fund considers all highly liquid investments with maturities of less than three months from date of investment to be cash.

4. INVESTMENTS

At both June 30, 2020 and 2019, the Fund invested only in notes backed by the Federal Government and triple A rated (AAA) by Moody's with various interest rates and maturity dates. The maturity dates range from 4/30/2021 to 5/31/2025 as of June 30, 2020 and from 4/30/2020 to 4/30/2024 as of June 30, 2019. 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 that are in the possession of an outside party. At June 30, 2020 and 2019, all of the Fund's investments are under the custody of New Jersey Asset and Rebate Management Program, who is the Fund's investment advisor.

Investments are stated at fair value. The difference between fair value and amortized cost is recorded as unrealized gain (loss) at June 30 each year. The amounts are as follows:

	<u>2020</u>	<u>2019</u>
Face value	\$ 12,655,000	\$ 12,510,000
Unamortized premium (discount), net	68,239	(72,197)
Unrealized gain, net	<u>539,780</u>	<u>129,875</u>
Fair value	<u>\$ 13,263,019</u>	<u>\$ 12,567,678</u>

Investment income consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 363,150	\$ 366,758
Amortization of discount, net	9,578	10,627
Realized gain (loss) using amortized cost	<u>3,571</u>	<u>(22,633)</u>
Investment return	<u>\$ 376,299</u>	<u>\$ 354,752</u>

School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019

5. FAIR VALUE ACCOUNTING

Recurring Fair Value Measurements

The Fund has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following tables summarize assets which have been accounted for at fair value on a recurring basis as of June 30 along with the basis for the determination of fair value:

	2020			
	Basis for Valuation			
	Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria	Total
Investments - US Treasury Notes	\$ 13,263,019	\$ -	\$ -	\$ 13,263,019

	2019			
	Basis for Valuation			
	Quoted Prices in Active Markets	Observable Measurement Criteria	Unobservable Measurement Criteria	Total
Investments - US Treasury Notes	\$ 12,567,678	\$ -	\$ -	\$ 12,567,678

For applicable assets and liabilities subject to this pronouncement, the Fund will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Fund will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Fund will develop measurement criteria based on the best information available.

U.S. Government backed fixed rate notes are valued at the closing price reported on the active market on which individual securities are traded along with comparable bond ratings under Moody's and S&P.

The valuation methods for these investments are consistent for the years ended June 30, 2020 and 2019.

6. 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 June 30, 2020 and 2019. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the members, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. 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 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 incurred but not reported. Loss reserves have been estimated by the Fund's Actuary and Claims Servicing Organizations of the members (less member deductibles).

School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019

Loss reserves at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Case reserves	\$ 10,169,397	\$ 8,883,990
Reserves for losses incurred but not reported	<u>7,919,836</u>	<u>6,657,984</u>
	<u>\$ 18,089,233</u>	<u>\$ 15,541,974</u>

The following represents changes in the aggregate reserves and claim adjustment expenses for the Fund during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Unpaid claim liabilities, beginning of year	<u>\$ 15,541,974</u>	<u>\$ 14,550,995</u>
Incurred claims		
Provision for insured events of the current year	4,307,885	4,526,162
Increase (decrease) in provision for insured events of prior years	<u>1,086,785</u>	<u>(24,607)</u>
Total increase in incurred claims	<u>5,394,670</u>	<u>4,501,555</u>
Payments		
Payments - net on claims for insured events of the current year	488,916	824,343
Payments - net on claims for insured events of prior years	<u>2,358,495</u>	<u>2,686,233</u>
Total payments	<u>2,847,411</u>	<u>3,510,576</u>
Unpaid claim liabilities, end of year	<u>\$ 18,089,233</u>	<u>\$ 15,541,974</u>

7. CLAIMS PAYABLE - REINSURANCE

During the fund year ended June 30, 2013, the fund had a catastrophic property claim, Super Storm Sandy. The Fund has a \$500,000 SIR for property coverage for named storms. All claim payments for this claim above the Fund's SIR are paid by the Fund's excess property carrier. The Fund's service providers work with the carrier's representatives to adjudicate all claims. Both the total incurred and total paid for Super Storm Sandy as of June 30, 2020 and 2019 is \$16,580,463 and the total reserves at both June 30, 2020 and 2019 are \$0. The carrier has paid the Fund \$16,301,092, which represents payments above the Fund's \$300,000 SIR. The balance due to the reinsurer related to Super Storm Sandy is \$0 and \$20,629 at June 30, 2020 and 2019, respectively, which is included in due from reinsurer, net on the balance sheets.

8. CONCENTRATION OF RISK

For the years ended June 30, 2020 and 2019, the Fund's underwriting income is derived from two members. The larger of the two members accounted for approximately 89% of income for each of the years ended June 30, 2020 and 2019. The significant concentration presents a risk that if one of the members withdraws from the Fund it will then fail to meet the requirements as a "Fund" defined under statute. The Fund would be required to advise the New Jersey Department of Banking and Insurance of its plan to bring the Fund in compliance or cease to exist. The Fund does not foresee this occurring and is actively seeking additional members. The Fund is currently in compliance with all of the terms and conditions set forth by the Fund.

**School Excess Liability Fund
Notes to Financial Statements
June 30, 2020 and 2019**

9. CONTINGENCY

Management is currently evaluating the potential impact of the COVID-19 virus to the Fund. While any impact is not readily determinable as of the date of these financial statements, management continues to monitor and will keep the Fund's members apprised of any potential impact as it is known.

10. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events occurring after the balance sheet date through November 10, 2020, which is the date the financial statements were available to be issued. Based on this evaluation, the Fund has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

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

To the Fund Commissioners,
School Excess Liability Fund:

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, the financial statements of School Excess Liability Fund, which comprise the balance sheet as of June 30, 2020, the related statements of revenue, expenses, and changes in fund surplus and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 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 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 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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 the 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.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

November 10, 2020

SUPPLEMENTARY INFORMATION

**School Excess Liability Fund
Ten Years Claims Development Information
June 30, 2020 and 2019**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Underwriting income - regular contributions	\$ 8,664,665	\$ 9,929,999	\$ 11,567,365	\$ 13,900,989	\$ 15,619,244	\$ 17,132,684	\$ 17,437,770	\$ 17,479,021	\$ 16,976,091	\$ 17,845,778
Interest income and other income	<u>104,939</u>	<u>26,344</u>	<u>41,992</u>	<u>37,776</u>	<u>109,732</u>	<u>211,992</u>	<u>315,041</u>	<u>281,375</u>	<u>258,456</u>	<u>111,406</u>
	<u>\$ 8,769,604</u>	<u>\$ 9,956,343</u>	<u>\$ 11,609,357</u>	<u>\$ 13,938,765</u>	<u>\$ 15,728,976</u>	<u>\$ 17,344,676</u>	<u>\$ 17,752,811</u>	<u>\$ 17,760,396</u>	<u>\$ 17,234,547</u>	<u>\$ 17,957,184</u>
Insurance and reinsurance premiums	\$ 6,372,690	\$ 7,040,292	\$ 8,380,069	\$ 10,550,689	\$ 12,147,166	\$ 13,176,313	\$ 12,504,817	\$ 12,724,132	\$ 12,368,495	\$ 13,311,575
Administrative expenses	<u>110,517</u>	<u>135,643</u>	<u>117,461</u>	<u>121,351</u>	<u>127,532</u>	<u>129,951</u>	<u>130,058</u>	<u>132,711</u>	<u>139,016</u>	<u>140,279</u>
	<u>\$ 6,483,207</u>	<u>\$ 7,175,935</u>	<u>\$ 8,497,530</u>	<u>\$ 10,672,040</u>	<u>\$ 12,274,698</u>	<u>\$ 13,306,264</u>	<u>\$ 12,634,875</u>	<u>\$ 12,856,843</u>	<u>\$ 12,507,511</u>	<u>\$ 13,451,854</u>
Estimated incurred claims, end of policy year	\$ 2,040,767	\$ 2,554,743	\$ 3,420,218	\$ 3,360,000	\$ 3,300,000	\$ 3,723,148	\$ 4,065,000	\$ 4,266,000	\$ 4,526,162	\$ 4,307,885
Cumulative paid claims as of										
End of policy year	150,000	616,337	760,565	823,202	797,619	302,125	311,670	380,361	824,343	488,916
One year later	386,238	1,100,730	1,181,162	1,716,722	1,279,556	771,142	677,108	855,959	931,015	
Two years later	401,908	1,446,537	1,674,019	2,324,329	1,698,051	1,014,091	903,899	1,307,520		
Three years later	562,616	1,839,191	2,041,566	2,871,994	2,201,361	1,692,053	1,185,258			
Four years later	890,532	1,896,509	2,717,174	3,318,911	2,441,905	2,090,391				
Five years later	1,032,067	2,022,736	2,843,311	3,899,877	2,728,043					
Six years later	1,076,315	2,117,645	3,036,252	4,369,897						
Seven years later	1,258,405	2,173,004	3,223,089							
Eight years later	1,289,160	2,305,317								
Nine years later	1,294,927									
Cumulative incurred claims as of										
End of policy year	2,040,767	2,554,743	3,420,218	3,360,000	3,300,000	3,723,148	4,065,000	4,266,000	4,526,162	4,307,885
One year later	1,890,767	3,392,661	4,250,000	4,100,000	4,250,001	3,764,999	2,245,000	4,182,508	5,129,502	
Two years later	1,550,000	3,175,000	4,400,001	4,890,001	3,475,000	3,623,147	2,166,817	3,961,588		
Three years later	1,750,000	3,000,000	3,690,000	5,068,999	3,383,208	3,525,185	2,116,115			
Four years later	1,820,000	2,895,000	3,741,000	5,029,218	3,672,016	3,709,266				
Five years later	1,655,651	2,812,000	3,850,611	5,031,061	3,918,291					
Six years later	1,517,651	2,743,000	3,742,213	5,195,861						
Seven years later	1,823,149	2,792,862	3,707,064							
Eight years later	1,674,232	2,660,524								
Nine years later	<u>1,682,708</u>									
Increase (decrease) in cumulative incurred claims from end of policy year	<u>\$ (358,059)</u>	<u>\$ 105,781</u>	<u>\$ 286,846</u>	<u>\$ 1,835,861</u>	<u>\$ 618,291</u>	<u>\$ (13,882)</u>	<u>\$ 1,948,885</u>	<u>\$ 304,412</u>	<u>\$ (603,340)</u>	<u>\$ -</u>

See Independent Auditor's Report.

School Excess Liability Fund
Schedule of Changes in Claim Liabilities by Line of Coverage
June 30, 2020 and 2019

	2020			2019		
	<u>Total</u>	<u>Workers' Compensation</u>	<u>Package</u>	<u>Total</u>	<u>Workers' Compensation</u>	<u>Package</u>
Claim liabilities, beginning of year	\$ 15,541,974	\$ 14,217,775	\$ 1,324,199	\$ 14,550,995	\$ 12,646,354	\$ 1,904,641
Incurred claims						
Provision for insured events of current year	4,307,885	3,067,544	1,240,341	4,526,162	3,151,162	1,375,000
Increase (decrease) in provision for insured events of prior years	<u>1,086,785</u>	<u>1,076,452</u>	<u>10,333</u>	<u>(24,607)</u>	<u>(18,210)</u>	<u>(6,397)</u>
Increase in incurred claims	<u>5,394,670</u>	<u>4,143,996</u>	<u>1,250,674</u>	<u>4,501,555</u>	<u>3,132,952</u>	<u>1,368,603</u>
Claim payments						
Payments-net on claims for insured events of current year	488,916	26,378	462,538	824,343	76,889	747,454
Payments-net on claims for insured events of prior years	<u>2,358,495</u>	<u>1,968,945</u>	<u>389,550</u>	<u>2,686,233</u>	<u>1,484,642</u>	<u>1,201,591</u>
Total payments	<u>2,847,411</u>	<u>1,995,323</u>	<u>852,088</u>	<u>3,510,576</u>	<u>1,561,531</u>	<u>1,949,045</u>
Claim liabilities, end of year	\$ <u>18,089,233</u>	\$ <u>16,366,448</u>	\$ <u>1,722,785</u>	\$ <u>15,541,974</u>	\$ <u>14,217,775</u>	\$ <u>1,324,199</u>

See Independent Auditor's Report.

**School Excess Liability Fund
Schedule of Changes in Fund Surplus (Deficit) for the Fund Years 2005 through 2020
June 30, 2020**

<u>Fund Year</u>	<u>Fund Surplus (Deficit) July 1, 2019</u>	<u>Net Income (Loss)</u>	<u>Fund Surplus (Deficit) June 30, 2020</u>
2005	\$ 730,204	\$ 32,505	\$ 762,709
2006	612,290	30,511	642,801
2007	808,060	34,162	842,222
2008	1,118,290	54,243	1,172,533
2009	569,008	(6,926)	562,082
2010	404,212	(337,079)	67,133
2011	578,760	24,929	603,689
2012	13,993	105,891	119,884
2013	(631,163)	35,926	(595,237)
2014	(1,764,336)	(164,800)	(1,929,136)
2015	(237,361)	(226,652)	(464,013)
2016	444,156	(115,010)	329,146
2017	2,816,141	185,680	3,001,821
2018	590,977	350,988	941,965
2019	71,093	(473,559)	(402,466)
2020	-	197,445	197,445
	<u>\$ 6,124,324</u>	<u>\$ (271,746)</u>	<u>\$ 5,852,578</u>

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School Excess Liability Fund
Cumulative Operating Results Analysis for Fund Years 2005 through 2020
June 30, 2020

Revenue	
Underwriting income - regular contributions	<u>\$ 182,195,148</u>
Expenses	
Claims	
Paid	26,335,186
Case reserves	10,169,396
IBNR reserves	<u>7,919,836</u>
	44,424,418
Insurance and reinsurance premiums	132,456,866
Administrative expenses	<u>1,937,058</u>
	<u>178,818,342</u>
Operating income	<u>3,376,806</u>
Other income	2,077
Interest income	<u>2,473,695</u>
Fund surplus	<u>\$ 5,852,578</u>

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School Excess Liability Fund
2005 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

Revenue	
Underwriting income - regular contributions	\$ <u>1,523,220</u>
Expenses	
Claims	
Paid	321,041
Case reserves	178,959
IBNR reserves	<u>3,735</u>
Claims - net	<u>503,735</u>
Other	
Insurance and reinsurance premiums	397,607
Administrative expenses	<u>87,712</u>
Total other expenses	<u>485,319</u>
Total expenses	<u>989,054</u>
Operating income	534,166
Interest income	<u>228,543</u>
Net fund surplus	<u>\$ 762,709</u>

See Independent Auditor's Report.

School Excess Liability Fund
2006 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

Revenue	
Underwriting income - regular contributions	\$ 1,640,585
Expenses	
Claims	
Paid	490,137
Case reserves	223,401
IBNR reserves	<u>5,229</u>
Claims - net	<u>718,767</u>
Other	
Insurance and reinsurance premiums	411,864
Administrative expenses	<u>78,978</u>
Total other expenses	<u>490,842</u>
Total expenses	<u>1,209,609</u>
Operating income	430,976
Interest income	<u>211,825</u>
Net fund surplus	<u>\$ 642,801</u>

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School Excess Liability Fund
2007 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 2,381,974	\$ 5,184,544	\$ 130,500	\$ 7,697,018
Expenses				
Claims				
Paid	757,198	813,956	-	1,571,154
Case reserves	153,403	-	-	153,403
IBNR reserves	<u>18,822</u>	<u>-</u>	<u>-</u>	<u>18,822</u>
Claims - net	<u>929,423</u>	<u>813,956</u>	<u>-</u>	<u>1,743,379</u>
Other				
Insurance and reinsurance premiums	933,541	4,317,488	-	5,251,029
Administrative expenses	<u>-</u>	<u>-</u>	<u>109,554</u>	<u>109,554</u>
Total other expenses	<u>933,541</u>	<u>4,317,488</u>	<u>109,554</u>	<u>5,360,583</u>
Total expenses	<u>1,862,964</u>	<u>5,131,444</u>	<u>109,554</u>	<u>7,103,962</u>
Operating income	<u>519,010</u>	<u>53,100</u>	<u>20,946</u>	<u>593,056</u>
Interest income	184,571	58,296	6,296	249,163
Miscellaneous income	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Total other	<u>184,571</u>	<u>58,296</u>	<u>6,299</u>	<u>249,166</u>
Net fund surplus	<u>\$ 703,581</u>	<u>\$ 111,396</u>	<u>\$ 27,245</u>	<u>\$ 842,222</u>

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School Excess Liability Fund
2008 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 1,833,245	\$ 5,744,574	\$ 125,700	\$ 7,703,519
Expenses				
Claims				
Paid	157,949	857,901	-	1,015,850
Case reserves	242,973	-	-	242,973
IBNR reserves	9,983	-	-	9,983
Claims - net	<u>410,905</u>	<u>857,901</u>	<u>-</u>	<u>1,268,806</u>
Other				
Insurance and reinsurance premiums	515,450	4,820,917	-	5,336,367
Administrative expenses	<u>-</u>	<u>-</u>	<u>121,469</u>	<u>121,469</u>
Total other expenses	<u>515,450</u>	<u>4,820,917</u>	<u>121,469</u>	<u>5,457,836</u>
Total expenses	<u>926,355</u>	<u>5,678,818</u>	<u>121,469</u>	<u>6,726,642</u>
Operating income	<u>906,890</u>	<u>65,756</u>	<u>4,231</u>	<u>976,877</u>
Interest income	164,334	30,240	1,080	195,654
Miscellaneous income	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total other	<u>164,334</u>	<u>30,240</u>	<u>1,082</u>	<u>195,656</u>
Net fund surplus	<u>\$ 1,071,224</u>	<u>\$ 95,996</u>	<u>\$ 5,313</u>	<u>\$ 1,172,533</u>

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School Excess Liability Fund
2009 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 2,696,369	\$ 5,424,941	\$ 128,512	\$ 8,249,822
Expenses				
Claims				
Paid	418,665	950,000	-	1,368,665
Case reserves	274,708	-	-	274,708
IBNR reserves	7,148	-	-	7,148
Claims - net	<u>700,521</u>	<u>950,000</u>	<u>-</u>	<u>1,650,521</u>
Other				
Insurance and reinsurance premiums	1,423,848	4,539,620	-	5,963,468
Administrative expenses	<u>-</u>	<u>-</u>	<u>129,755</u>	<u>129,755</u>
Total other expenses	<u>1,423,848</u>	<u>4,539,620</u>	<u>129,755</u>	<u>6,093,223</u>
Total expenses	<u>2,124,369</u>	<u>5,489,620</u>	<u>129,755</u>	<u>7,743,744</u>
Operating income (loss)	572,000	(64,679)	(1,243)	506,078
Interest income	<u>52,629</u>	<u>2,559</u>	<u>816</u>	<u>56,004</u>
Net fund surplus (deficit)	<u>\$ 624,629</u>	<u>\$ (62,120)</u>	<u>\$ (427)</u>	<u>\$ 562,082</u>

See Independent Auditor's Report.

School Excess Liability Fund
2010 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 3,177,127	\$ 5,521,742	\$ 128,508	\$ 8,827,377
Expenses				
Claims				
Paid	833,966	810,000	-	1,643,966
Case reserves	454,464	-	-	454,464
IBNR reserves	51,979	-	-	51,979
Claims - net	<u>1,340,409</u>	<u>810,000</u>	<u>-</u>	<u>2,150,409</u>
Other				
Insurance and reinsurance premiums	1,883,994	4,636,299	-	6,520,293
Administrative expenses	-	-	125,072	125,072
Total other expenses	<u>1,883,994</u>	<u>4,636,299</u>	<u>125,072</u>	<u>6,645,365</u>
Total expenses	<u>3,224,403</u>	<u>5,446,299</u>	<u>125,072</u>	<u>8,795,774</u>
Operating income (loss)	<u>(47,276)</u>	<u>75,443</u>	<u>3,436</u>	<u>31,603</u>
Interest income	29,128	5,384	718	35,230
Miscellaneous income	-	-	300	300
Total other	<u>29,128</u>	<u>5,384</u>	<u>1,018</u>	<u>35,530</u>
Net fund surplus (deficit)	<u>\$ (18,148)</u>	<u>\$ 80,827</u>	<u>\$ 4,454</u>	<u>\$ 67,133</u>

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School Excess Liability Fund
2011 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 3,191,167	\$ 5,344,986	\$ 128,512	\$ 8,664,665
Expenses				
Claims				
Paid	758,778	536,149	-	1,294,927
Case reserves	335,941	-	-	335,941
IBNR reserves	51,840	-	-	51,840
Claims - net	<u>1,146,559</u>	<u>536,149</u>	<u>-</u>	<u>1,682,708</u>
Other				
Insurance and reinsurance premiums	1,960,628	4,412,062	-	6,372,690
Administrative expenses	-	-	110,517	110,517
Total other expenses	<u>1,960,628</u>	<u>4,412,062</u>	<u>110,517</u>	<u>6,483,207</u>
Total expenses	<u>3,107,187</u>	<u>4,948,211</u>	<u>110,517</u>	<u>8,165,915</u>
Operating income	83,980	396,775	17,995	498,750
Interest income	<u>58,620</u>	<u>44,469</u>	<u>1,850</u>	<u>104,939</u>
Net fund surplus	<u>\$ 142,600</u>	<u>\$ 441,244</u>	<u>\$ 19,845</u>	<u>\$ 603,689</u>

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School Excess Liability Fund
2012 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>and Liability</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 4,521,455	\$ 5,274,389	\$ 134,155	\$ 9,929,999
Expenses				
Claims				
Paid	1,402,538	902,779	-	2,305,317
Case reserves	126,880	-	-	126,880
IBNR reserves	<u>228,327</u>	<u>-</u>	<u>-</u>	<u>228,327</u>
Claims - net	<u>1,757,745</u>	<u>902,779</u>	<u>-</u>	<u>2,660,524</u>
Other				
Insurance and reinsurance premiums	2,655,968	4,384,324	-	7,040,292
Administrative expenses	<u>-</u>	<u>-</u>	<u>135,643</u>	<u>135,643</u>
Total other expenses	<u>2,655,968</u>	<u>4,384,324</u>	<u>135,643</u>	<u>7,175,935</u>
Total expenses	<u>4,413,713</u>	<u>5,287,103</u>	<u>135,643</u>	<u>9,836,459</u>
Operating income (loss)	107,742	(12,714)	(1,488)	93,540
Interest income	<u>24,761</u>	<u>938</u>	<u>645</u>	<u>26,344</u>
Net fund surplus (deficit)	<u>\$ 132,503</u>	<u>\$ (11,776)</u>	<u>\$ (843)</u>	<u>\$ 119,884</u>

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School Excess Liability Fund
2013 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,117,385	\$ 6,314,628	\$ 135,352	\$ 11,567,365
Expenses				
Claims				
Paid	2,462,620	760,469	-	3,223,089
Case reserves	403,917	300	-	404,217
IBNR reserves	79,758	-	-	79,758
Claims - net	<u>2,946,295</u>	<u>760,769</u>	<u>-</u>	<u>3,707,064</u>
Other				
Insurance and reinsurance premiums	2,995,265	5,384,804	-	8,380,069
Administrative expenses	<u>-</u>	<u>-</u>	<u>117,461</u>	<u>117,461</u>
Total other expenses	<u>2,995,265</u>	<u>5,384,804</u>	<u>117,461</u>	<u>8,497,530</u>
Total expenses	<u>5,941,560</u>	<u>6,145,573</u>	<u>117,461</u>	<u>12,204,594</u>
Operating income (loss)	(824,175)	169,055	17,891	(637,229)
Interest income	<u>27,672</u>	<u>13,855</u>	<u>465</u>	<u>41,992</u>
Net fund surplus (deficit)	<u>\$ (796,503)</u>	<u>\$ 182,910</u>	<u>\$ 18,356</u>	<u>\$ (595,237)</u>

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School Excess Liability Fund
2014 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,285,003	\$ 8,479,319	\$ 136,667	\$ 13,900,989
Expenses				
Claims				
Paid	3,469,897	900,000	-	4,369,897
Case reserves	679,011	-	-	679,011
IBNR reserves	146,953	-	-	146,953
Claims - net	<u>4,295,861</u>	<u>900,000</u>	<u>-</u>	<u>5,195,861</u>
Other				
Insurance and reinsurance premiums	3,101,913	7,448,776	-	10,550,689
Administrative expenses	-	-	121,351	121,351
Total other expenses	<u>3,101,913</u>	<u>7,448,776</u>	<u>121,351</u>	<u>10,672,040</u>
Total expenses	<u>7,397,774</u>	<u>8,348,776</u>	<u>121,351</u>	<u>15,867,901</u>
Operating income (loss)	<u>(2,112,771)</u>	<u>130,543</u>	<u>15,316</u>	<u>(1,966,912)</u>
Other				
Interest income	21,921	13,698	377	35,996
Miscellaneous income	1,780	-	-	1,780
Total other	<u>23,701</u>	<u>13,698</u>	<u>377</u>	<u>37,776</u>
Net fund surplus (deficit)	<u>\$ (2,089,070)</u>	<u>\$ 144,241</u>	<u>\$ 15,693</u>	<u>\$ (1,929,136)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2015 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,252,146	\$ 10,229,236	\$ 137,862	\$ 15,619,244
Expenses				
Claims				
Paid	1,628,043	1,100,000	-	2,728,043
Case reserves	778,291	-	-	778,291
IBNR reserves	411,957	-	-	411,957
Claims - net	<u>2,818,291</u>	<u>1,100,000</u>	<u>-</u>	<u>3,918,291</u>
Other				
Insurance and reinsurance premiums	3,064,331	9,082,835	-	12,147,166
Administrative expenses	-	-	127,532	127,532
Total other expenses	<u>3,064,331</u>	<u>9,082,835</u>	<u>127,532</u>	<u>12,274,698</u>
Total expenses	<u>5,882,622</u>	<u>10,182,835</u>	<u>127,532</u>	<u>16,192,989</u>
Operating income (loss)	<u>(630,476)</u>	<u>46,401</u>	<u>10,330</u>	<u>(573,745)</u>
Other				
Interest income	97,457	10,667	1,611	109,735
Miscellaneous loss	-	-	(3)	(3)
Total other	<u>97,457</u>	<u>10,667</u>	<u>1,608</u>	<u>109,732</u>
Net fund surplus (deficit)	<u>\$ (533,019)</u>	<u>\$ 57,068</u>	<u>\$ 11,938</u>	<u>\$ (464,013)</u>

See Independent Auditor's Report.

School Excess Liability Fund
2016 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,045,369	\$ 10,949,211	\$ 138,104	\$ 17,132,684
Expenses				
Claims				
Paid	956,243	1,134,148	-	2,090,391
Case reserves	1,042,465	-	-	1,042,465
IBNR reserves	576,410	-	-	576,410
Claims - net	<u>2,575,118</u>	<u>1,134,148</u>	<u>-</u>	<u>3,709,266</u>
Other				
Insurance and reinsurance premiums	3,350,378	9,825,935	-	13,176,313
Administrative expenses	-	-	129,951	129,951
Total other expenses	<u>3,350,378</u>	<u>9,825,935</u>	<u>129,951</u>	<u>13,306,264</u>
Total expenses	<u>5,925,496</u>	<u>10,960,083</u>	<u>129,951</u>	<u>17,015,530</u>
Operating income (loss)	119,873	(10,872)	8,153	117,154
Interest income	<u>173,433</u>	<u>36,856</u>	<u>1,703</u>	<u>211,992</u>
Net fund surplus	<u>\$ 293,306</u>	<u>\$ 25,984</u>	<u>\$ 9,856</u>	<u>\$ 329,146</u>

See Independent Auditor's Report.

School Excess Liability Fund
2017 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,619,268	\$ 10,679,393	\$ 139,109	\$ 17,437,770
Expenses				
Claims				
Paid	85,258	1,100,000	-	1,185,258
Case reserves	543,343	-	-	543,343
IBNR reserves	387,514	-	-	387,514
Claims - net	<u>1,016,115</u>	<u>1,100,000</u>	<u>-</u>	<u>2,116,115</u>
Other				
Insurance and reinsurance premiums	2,925,427	9,579,390	-	12,504,817
Administrative expenses	-	-	130,058	130,058
Total other expenses	<u>2,925,427</u>	<u>9,579,390</u>	<u>130,058</u>	<u>12,634,875</u>
Total expenses	<u>3,941,542</u>	<u>10,679,390</u>	<u>130,058</u>	<u>14,750,990</u>
Operating income	2,677,726	3	9,051	2,686,780
Interest income	<u>279,339</u>	<u>34,122</u>	<u>1,580</u>	<u>315,041</u>
Net fund surplus	<u>\$ 2,957,065</u>	<u>\$ 34,125</u>	<u>\$ 10,631</u>	<u>\$ 3,001,821</u>

See Independent Auditor's Report.

School Excess Liability Fund
2018 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 6,343,695	\$ 10,995,181	\$ 140,145	\$ 17,479,021
Expenses				
Claims				
Paid	399,705	907,815	-	1,307,520
Case reserves	1,096,052	53,425	-	1,149,477
IBNR reserves	1,299,831	204,760	-	1,504,591
Claims - net	<u>2,795,588</u>	<u>1,166,000</u>	<u>-</u>	<u>3,961,588</u>
Other				
Insurance and reinsurance premiums	2,894,952	9,829,180	-	12,724,132
Administrative expenses	-	-	132,711	132,711
Total other expenses	<u>2,894,952</u>	<u>9,829,180</u>	<u>132,711</u>	<u>12,856,843</u>
Total expenses	<u>5,690,540</u>	<u>10,995,180</u>	<u>132,711</u>	<u>16,818,431</u>
Operating income	653,155	1	7,434	660,590
Interest income	<u>228,587</u>	<u>51,075</u>	<u>1,713</u>	<u>281,375</u>
Net fund surplus	<u>\$ 881,742</u>	<u>\$ 51,076</u>	<u>\$ 9,147</u>	<u>\$ 941,965</u>

See Independent Auditor's Report.

School Excess Liability Fund
2019 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,659,953	\$ 11,174,844	\$ 141,294	\$ 16,976,091
Expenses				
Claims				
Paid	242,513	688,502	-	931,015
Case reserves	1,898,462	207,800	-	2,106,262
IBNR reserves	1,613,527	478,698	-	2,092,225
Claims - net	<u>3,754,502</u>	<u>1,375,000</u>	<u>-</u>	<u>5,129,502</u>
Other				
Insurance and reinsurance premiums	2,568,654	9,799,841	-	12,368,495
Administrative expenses	<u>-</u>	<u>-</u>	<u>139,016</u>	<u>139,016</u>
Total other expenses	<u>2,568,654</u>	<u>9,799,841</u>	<u>139,016</u>	<u>12,507,511</u>
Total expenses	<u>6,323,156</u>	<u>11,174,841</u>	<u>139,016</u>	<u>17,637,013</u>
Operating income (loss)	<u>(663,203)</u>	<u>3</u>	<u>2,278</u>	<u>(660,922)</u>
Interest income	147,205	109,056	2,201	258,462
Miscellaneous loss	<u>-</u>	<u>-</u>	<u>(6)</u>	<u>(6)</u>
Total other	<u>147,205</u>	<u>109,056</u>	<u>2,195</u>	<u>258,456</u>
Net fund surplus (deficit)	<u>\$ (515,998)</u>	<u>\$ 109,059</u>	<u>\$ 4,473</u>	<u>\$ (402,466)</u>

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School Excess Liability Fund
2020 Fund Year - Cumulative Operating Results Analysis
June 30, 2020

	<u>Workers'</u> <u>Compensation</u>	<u>Excess</u> <u>Liability and</u> <u>Package</u>	<u>Administration</u>	<u>Totals</u>
Revenue				
Underwriting income - regular contributions	\$ 5,760,874	\$ 11,942,321	\$ 142,583	\$ 17,845,778
Expenses				
Claims				
Paid	26,378	462,538	-	488,916
Case reserves	768,604	707,000	-	1,475,604
IBNR reserves	2,272,562	70,803	-	2,343,365
Claims - net	<u>3,067,544</u>	<u>1,240,341</u>	<u>-</u>	<u>4,307,885</u>
Other				
Insurance and reinsurance premiums	2,594,602	10,716,973	-	13,311,575
Administrative expenses	-	-	140,279	140,279
Total other expenses	<u>2,594,602</u>	<u>10,716,973</u>	<u>140,279</u>	<u>13,451,854</u>
Total expenses	<u>5,662,146</u>	<u>11,957,314</u>	<u>140,279</u>	<u>17,759,739</u>
Operating income (loss)	<u>98,728</u>	<u>(14,993)</u>	<u>2,304</u>	<u>86,039</u>
Interest income	35,804	74,710	891	111,405
Miscellaneous income	-	-	1	1
Total other	<u>35,804</u>	<u>74,710</u>	<u>892</u>	<u>111,406</u>
Net fund surplus	<u>\$ 134,532</u>	<u>\$ 59,717</u>	<u>\$ 3,196</u>	<u>\$ 197,445</u>

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School Excess Liability Fund
Cumulative Administrative Expense Analysis for Fund Years 2019 and 2020
June 30, 2020

2020 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	10,093	-	10,093
Attorney	7,803	2,601	10,404
Auditor	-	6,820	6,820
Treasurer	3,468	-	3,468
Non-contracted expense	5,287	2,811	8,098
Contingency	-	10,000	10,000
Claims service	5,550	10,846	16,396
	<u>\$ 107,201</u>	<u>\$ 33,078</u>	<u>\$ 140,279</u>

2019 Fund Year

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
Administrator	\$ 75,000	\$ -	\$ 75,000
Actuary	9,894	-	9,894
Attorney	10,200	-	10,200
Auditor	6,686	-	6,686
Treasurer	3,400	-	3,400
Non-contracted expense	5,055	2,863	7,918
Contingency	-	10,000	10,000
Claims service	15,918	-	15,918
	<u>\$ 126,153</u>	<u>\$ 12,863</u>	<u>\$ 139,016</u>

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**School Excess Liability Fund
Comments and Recommendations
June 30, 2020 and 2019**

None