

*Report of Audit*

*on the*

*Financial Statements*

*of the*

*Statewide Insurance*  
*Fund*

*for the*

*Years Ended*  
*December 31, 2009 and 2008*

STATEWIDE INSURANCE FUND

DECEMBER 31, 2009 AND 2008

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**STATEWIDE INSURANCE FUND**

**DECEMBER 31, 2009 AND 2008**

**I N D E X (CONTINUED)**

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Executive Committee  
Statewide Insurance Fund

We have audited the balance sheets of the Statewide Insurance Fund (the "Fund") as of December 31, 2009 and 2008, and the related statements of revenue, expenses and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As permitted by the Departments of Community Affairs and the Department of Banking and Insurance, State of New Jersey, we did not extend our audit to the underlying actuarial assumptions for Incurred But Not Reported (IBNR) reserve amounts, since they are prepared by the Fund's actuary.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the IBNR reserves, the financial statements referred to above present fairly, in all material respects, the financial position of the fund at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

# SUPLEE, CLOONEY & COMPANY

In accordance with Government Auditing Standards, we have also issued a report dated June 3, 2010, on our consideration of Statewide Insurance Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included in the accompanying Supplementary Data Section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

June 3, 2010

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



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Executive Committee  
Statewide Insurance Fund

We have audited the financial statements of the Statewide Insurance Fund (the "Fund") as of and for the year ended December 31, 2009, and have issued our report thereon dated June 3, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Statewide Insurance Fund's financial statements will not be prevented, or detected and corrected on a timely basis.

## SUPLEE, CLOONEY & COMPANY

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Statewide Insurance Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

This report is intended for the information of the Statewide Insurance Fund and state audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

June 3, 2010



STATEWIDE INSURANCE FUND  
COMPARATIVE BALANCE SHEETS  
DECEMBER 31, 2009 AND 2008

Assets	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 18,985,562	\$ 18,503,961
Investments	7,886,918	7,563,595
Assessments Receivable	201,981	203,616
Reinsurance Receivable	3,000,159	10,502,852
Miscellaneous Receivables	86,668	22,893
	<hr/>	<hr/>
Total Assets	\$ <u>30,161,287</u>	\$ <u>36,796,917</u>
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	\$ 33,982	\$ 40,303
State Examination Fees	385	61,000
Assessments Overpaid	26,320	26,320
Unallocated	8,654	8,654
Other Liabilities	226,878	226,878
Loss Reserves	25,699,311	32,067,632
Total Liabilities	\$ <u>25,995,530</u>	\$ <u>32,430,786</u>
Fund Equity:		
Retained Earnings - Unreserved	\$ <u>4,165,758</u>	\$ <u>4,366,131</u>
	<hr/>	<hr/>
Total Fund Equity	\$ <u>4,165,758</u>	\$ <u>4,366,131</u>
	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$ <u>30,161,287</u>	\$ <u>36,796,917</u>

See Notes to Financial Statements

## STATEWIDE INSURANCE FUND

COMPARATIVE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Revenue:		
Assessments - Participating Members - Current Fund Year	\$ 16,397,633	\$ 20,830,918
Supplemental Assessments		
Adjustments to Assessments - Prior Fund Years	-	(48,070)
Total Operating Revenue	<u>\$ 16,397,633</u>	<u>\$ 20,782,848</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense - Discounted	\$ 9,266,750	\$ 11,818,768
Insurance Premiums	4,984,977	6,546,663
Administration	2,916,322	3,543,218
Total Operating Expenses	<u>\$ 17,168,049</u>	<u>\$ 21,908,649</u>
Operating Income (Loss)	\$ (770,417)	\$ (1,125,801)
Non-operating Revenue:		
Other Income (Expense) Net	\$ 4,004	\$ 9,341
Interest Income	417,986	681,197
Unrealized Gains (Losses) on Investments	<u>148,054</u>	<u>-</u>
Net Income (Loss)	\$ (200,373)	\$ (435,262)
Fund Equity, Beginning of Year	4,366,131	4,801,393
Fund Equity Distribution to Participating Members	<u>-</u>	<u>-</u>
Fund Equity, End of Year	<u>\$ 4,165,758</u>	<u>\$ 4,366,131</u>

See Notes to Financial Statements

## STATEWIDE INSURANCE FUND

COMPARATIVE STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (770,417)	\$ (1,125,801)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assessments Receivable	5,640	625,285
(Increase)/Decrease in Reinsurance Receivable	7,502,693	(192,347)
(Increase)/Decrease in Miscellaneous Receivable	(63,775)	-
(Increase)/Decrease in Other Assets	-	150
Increase/(Decrease) in Accounts Payable	(6,321)	(2,581)
Increase/(Decrease) in State Exam Fees	(60,615)	-
Increase/(Decrease) in Assessments Overpaid	-	3
Increase/(Decrease) in Other Liabilities	-	(7,655)
Increase/(Decrease) in Loss Reserves	(6,368,321)	2,365,781
Net Cash Provided by Operating Activities	<u>\$ 238,885</u>	<u>\$ 1,662,836</u>
Cash Flows from Investing Activities:		
Investing Income	\$ 417,986	\$ 681,197
Sale/(Purchase) of Investments	<u>(175,269)</u>	<u>(804,236)</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 242,717</u>	<u>\$ (123,039)</u>
Cash Flows from Noncapital Financing Activities:		
Fund Equity Distribution to Participating Members	<u>\$ -</u>	<u>\$ -</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ -</u>	<u>\$ -</u>
Net Increase in Cash and Cash Equivalents	\$ 481,601	\$ 1,539,797
Cash and Cash Equivalents - Beginning of Year	<u>18,503,961</u>	<u>16,964,164</u>
Cash and Cash Equivalents - End of Year	<u>\$ 18,985,562</u>	<u>\$ 18,503,961</u>

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(1) ORGANIZATION AND DESCRIPTION OF THE FUND

The Statewide Insurance Fund (the "Fund") was formed on April 1, 1994 in accordance with P.L. 1983, C.372, entitled "An Act Concerning Joint Insurance Funds for Local Units of Government", and the supplementing Chapter 10 of Title 40A of the New Jersey Statutes. The Fund is operated in accordance with regulations of the New Jersey Department of Banking and Insurance and the Division of Local Government Services of the Department of Community Affairs. The Fund was established for the purpose of providing low cost insurance coverage as well as providing stability in coverage. There are currently 67 members participating in the Fund.

Participating members must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or the Executive Committee for nonpayment of assessments, non-compliance with risk management or underwriting standards, or other reasons subject to prior approval by the Commissioner of Banking and Insurance as reasons for termination.

The fund's bylaws provide for the termination and/or withdrawal of Fund members, however, termination or withdrawal does not relieve the members of obligations incurred during its period of membership.

All members' contributions to the Fund are based on actuarial assumptions for claims paid as 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.

An administrator is responsible for the overall administration of the Fund.

The following coverages are offered by the Fund to its members:

- a) Workers' Compensation and Employers' Liability
- b) General Liability and Auto Liability
- c) Property Damage
- d) Boiler and Machinery
- e) Law Enforcement Liability
- f) Public Officials' Liability
- g) Employment Practice Liability
- h) Crime
- i) Umbrella Liability
- j) Environmental Impairment Liability
- k) Excess Liability

The Fund purchases insurance in accordance with its Risk Management Plan.

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Government Accounting Standards Board establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. The Fund has determined that there were no additional entities required to be included in the reporting entity under the criteria as described above, in the current year. In addition, the Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation, Fund Accounting

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

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

Accrual Basis of Accounting

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

Cash and Cash Equivalents

For purposes of reporting cash, the fund considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Income Taxes

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

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments

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

Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Fund does not discount estimated claims liabilities.

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

Reinsurance

The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured.

STATEWIDE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses consist of the unexpired portion of insurance policies purchased to provide additional insurance coverage.

Deferred Revenue

Deferred revenue represents the unearned assessments of participating members.

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 Executive Committee.

Claims Case Reserves

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

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.

IBNR reserves include:

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

Liabilities for unpaid IBNR losses calculations represent the estimated liability on expected future development on claims already reported to the Fund plus claims incurred but not yet 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 December 31, 2009. 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 and frequency and other factors.

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subrogation

Subrogation and all other recoverable claim amounts, excluding excess insurance, are recognized upon receipt of cash only.

Reinsurers Obligation for Payment

The Fund's financial statements include all paid losses, reserves on reported losses and incurred but not reported losses which equal the total claim liability for the Fund. The total claim liability will include losses in excess of the Fund's retentions and, therefore, the financial statements include an accounts receivable (Reinsurers Obligation for Payment) that will be paid by the Fund's reinsurers for those liabilities in excess of the Fund's retention limits.

Discount

The Fund has elected to report the estimated liability for IBNR and claims reserves on a discounted basis based on a projected 2.75% annual interest rate. As with all projections, there is an uncertainty as to whether the underlying assets and claims payments will support the projected discount.

STATEWIDE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(3) CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Fund considers cash in banks and Short-Term Investments with original maturities of three months or less as cash and cash equivalents.

Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System.

Custodial Credit Risk is the risk that in the event of a bank failure, the deposits may not be returned. The Fund does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2009, based upon the coverage provided by FDIC and NJGUPA, no amount of the bank balance was exposed to custodial credit risk.

The Fund had the following cash and cash equivalents at December 31:

	<u>2009</u>	<u>2008</u>
Checking and Savings Accounts	<u>\$18,985,562</u>	<u>\$18,503,961</u>
TOTAL	<u>\$18,985,562</u>	<u>\$18,503,961</u>

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(3) CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

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

Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal Land Bank, Federal National Mortgage Associates or any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.

Bonds or other obligations, having a maturity date not more than twelve months from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local unit.

Among the Fund's investment objectives are preservation of principal, diversification, and maximization of interest yield. The Fund invests in government securities with the intent of holding them until maturity. Investments are reported at amortized cost, under which method an investment is valued at cost and any premium or discount on investments is recognized as interest income.

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
Certificates of Deposit	\$6,265,554	\$6,265,554	\$2,605,464	\$2,605,464
U.S. Treasury Bonds, Reserves, Time Deposits	<u>1,621,364</u>	<u>1,621,364</u>	<u>4,958,131</u>	<u>5,133,856</u>
	<u>\$7,886,918</u>	<u>\$7,886,918</u>	<u>\$7,563,595</u>	<u>\$7,739,320</u>

Based upon the limitation set forth by New Jersey Statutes and existing investment practices, the Fund is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

STATEWIDE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(4) PERMANENT FUND TRANSFERS

Permanent intertrust fund transfers are made upon the expressed approval of the Executive Committee, following prior written notification to the Commissioner of Banking and Insurance and the Department of Community Affairs.

Interyear fund transfers require prior approval of the Departments of Banking and Insurance and Community Affairs. The fund may seek approval from the Executive Committee to make interyear fund transfers at any time from a claims or loss retention trust account from any year which has been completed for at least 12 months. The interyear fund transfer may be in any amount subject to the limitation that after the transfer, the remaining net current surplus must exceed 35 percent of unpaid claims for that fiscal year. Claims must be undiscounted, the IBNR reserve must be certified by an actuary and the membership for each fiscal year involving interyear fund transfers must be identical between fiscal years.

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

(5) FUND EQUITY DISTRIBUTION PAYABLE

During 2009 and 2008 the Fund did not declare a distribution of fund equity. Distributions are approved by the State Department of Banking and Insurance.

(6) RETURN OF SURPLUS

Refunds are recognized upon authorization of the Executive Committee with state approvals. Any monies for a Fund year in excess of the amount necessary to fund all obligations for that fiscal year as certified by the Fund's actuary may be declared to be refundable by the Fund no less than sixty months after the end of the fiscal year. The initial and any subsequent refund for any year from a Claim or Loss Retention Account is subject to the limitation that after the refund, the remaining net current surplus must exceed thirty-five percent of unpaid claims for that fiscal year. In later years, the Fund can seek annual approval for payment of refunds from a Claim or Loss Retention Trust Fund Account remaining from any year which has been completed for at least thirty-six months or longer and may include such refund payments with initial refund payments from the preceding year. A full and final refund is not allowed until all case reserves and IBNR reserves are closed.

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(7) MINIMUM SURPLUS REQUIREMENTS

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

(8) DEFICIT FUND BALANCE

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

(9) SUPPLEMENTAL ASSESSMENTS

The Fund Commissioners or Executive Committee shall by majority vote levy upon the participating municipalities additional assessments wherever needed or so ordered by the Commissioner of Banking and Insurance to assure the payment of the Fund's obligations. Supplemental assessments to cover a deficit are recognized as revenue upon approval whether or not actually received.

STATEWIDE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

(10) 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 Fund for years 2009 and 2008 for all open Fund years net of excess insurance recoveries:

	<u>2009</u>	<u>2008</u>
Total unpaid claims and claim adjustment expenses all Fund years - beginning of year	\$32,067,632	\$29,701,851
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	9,535,403	9,880,053
Changes in provision for insured events of prior fund years	<u>(268,652)</u>	<u>1,938,715</u>
Total incurred claims and claim adjustment expenses all Fund years	<u>\$41,334,383</u>	<u>\$41,520,619</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	\$ 3,011,826	\$ 2,912,814
Attributable to insured events of prior fund years	<u>12,623,246</u>	<u>6,540,173</u>
Total Payments all Fund years	<u>15,635,072</u>	<u>\$ 9,452,987</u>
Total unpaid claims and claim adjustment expenses all Fund years - end of year	<u>\$25,699,311</u>	<u>\$32,067,632</u>

STATEWIDE INSURANCE FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Fund in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the Balance Sheet for cash and cash equivalents approximates its fair value.

The carrying amounts and fair values of the Fund's financial instruments at December 31, 2009 and 2008 are as follows:

	<u>December 31, 2009</u>		<u>December 31, 2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$18,985,562	\$18,985,562	\$18,503,961	\$18,503,961
Certificates of Deposit	6,265,554	6,265,554	2,605,464	2,605,464
U.S. Treasury Bonds, Reserves, Time Deposits	<u>1,621,364</u>	<u>1,621,364</u>	<u>4,958,131</u>	<u>5,133,856</u>
	<u>\$26,872,480</u>	<u>\$26,872,480</u>	<u>\$26,067,556</u>	<u>\$26,243,281</u>

(12) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Fund may be a party to litigation. At December 31, 2009, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Fund.

## STATEWIDE INSURANCE FUND

## HISTORICAL YEAR OPERATING RESULTS ANALYSIS

FUND YEARS: CLOSED YEARS, 2006, 2007, 2008 AND 2009

DECEMBER 31, 2009

Underwriting Income:

Regular Contributions	\$	180,262,111.11	
Supplemental Contributions		1,660,000.00	
Other Income		177,233.68	
<u>Total Income</u>			\$ 182,099,344.79

Incurred Liabilities:

<u>Claims:</u>			
Paid	\$	80,529,840.51	
Case Reserves		17,132,910.84	
IBNR Reserve		8,269,391.00	
Discount		(956,063.00)	
Subtotal			\$ 104,976,079.35

## Less Excess Insurance:

Received	\$	10,025,948.01	
Recoverable		1,747,086.79	
Subrogation		2,798,713.52	
Subtotal			14,571,748.32
Limited Incurred Claims			\$ 90,404,331.03

## Expenses:

Excess Insurance Premiums	\$	61,202,051.26	
Administrative		32,335,723.96	
Subtotal Expenses			93,537,775.22

<u>Total Incurred Liabilities</u>			<u>183,942,106.25</u>
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<u>Underwriting Surplus/(Deficit)</u>	\$	(1,842,761.46)
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<u>Investment Income</u>		<u>6,234,368.09</u>
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<u>Gross Operating Surplus/(Deficit)</u>	\$	4,391,606.63
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Return of Surplus:

Paid	\$	225,848.25	
Authorized and Unpaid		-	
Subtotal Return of Surplus			<u>225,848.25</u>

<u>Net Current Surplus/(Deficit)</u>	\$	<u>4,165,758.36</u>
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See Notes to Financial Statements

STATEWIDE INSURANCE FUND

HISTORICAL BALANCE SHEET

FUND YEARS: CLOSED YEARS, 2006, 2007, 2008 AND 2009

DECEMBER 31, 2009

Assets:

Cash and Investments	\$	<u>26,872,481.40</u>	
			\$ 26,872,481.40
Receivables:			
Excess Insurance	\$	3,000,158.61	
Miscellaneous Receivable		86,667.61	
Assessments		201,980.67	
Other		<u>-</u>	
Total Receivables			3,288,806.89
Other Assets			
<u>Total Assets</u>			<u>\$ 30,161,288.29</u>

Liabilities:

Claims:			
Case Reserves	\$	18,385,982.66	
IBNR Reserve		8,269,391.00	
Discount Reserve		<u>(956,063.00)</u>	
Subtotal Claims			\$ 25,699,310.66
Expenses (Unpaid):			
Excess Insurance	\$		
Administrative		33,981.51	
State Examination Fees		<u>385.07</u>	
Subtotal Expenses			34,366.58
Other Liabilities:			
Assessment Overpayments	\$	26,320.36	
Unallocated		8,654.01	
Authorized Return of Surplus			
Miscellaneous Liabilities		<u>226,877.91</u>	
Subtotal			<u>261,852.28</u>
<u>Total Liabilities</u>			<u>25,995,529.52</u>
Net Current Surplus/(Deficit)			\$ <u><u>4,165,758.36</u></u>

See Notes to Financial Statements



STATEWIDE INSURANCE FUND  
FUND-YEAR ACCOUNT OPERATING RESULTS ANALYSIS

DECEMBER 31, 2009

	2007 FUND YEAR		2008 FUND YEAR		2009 FUND YEAR		TOTAL ALL FUND YEARS	
	Workers Comp	Total	Workers Comp	Total	Workers Comp	Total	Workers Comp	Total
<b>Underwriting Income</b>								
Regular Contributions (Eamed)	\$ 9,424,849.00	\$ 11,337,341.00	\$ 9,556,987.00	\$ 11,273,951.00	\$ 8,407,788.00	\$ 7,988,664.58	\$ 107,558,480.44	\$ 72,703,820.67
Supplemental Contributions	-	1,110.00	4,003.80	576.00	-	-	1,860,000.00	1,680,000.00
Other Income (Except Investments)	\$ 9,424,849.00	\$ 11,339,451.00	\$ 9,560,990.80	\$ 11,274,527.00	\$ 8,407,788.00	\$ 7,988,664.58	\$ 109,359,957.34	\$ 72,739,387.45
Total Income	\$ 9,424,849.00	\$ 11,339,451.00	\$ 9,560,990.80	\$ 11,274,527.00	\$ 8,407,788.00	\$ 7,988,664.58	\$ 109,359,957.34	\$ 72,739,387.45
<b>Incurred Liabilities</b>								
Claims Paid	\$ 5,371,340.05	\$ 7,154,911.30	\$ 3,739,659.54	\$ 4,705,126.23	\$ 2,475,466.55	\$ 619,338.84	\$ 59,315,845.47	\$ 21,213,995.04
Case Reserves	3,145,543.51	3,486,184.87	2,813,276.39	3,127,742.81	3,070,197.28	3,639,820.88	14,348,454.99	2,784,455.85
IBNR Reserves	731,098.00	690,345.00	710,875.00	1,050,540.00	2,015,977.00	1,130,127.00	4,851,226.00	3,618,165.00
Discount	(185,483.00)	(31,547.00)	(147,875.00)	(46,453.00)	(195,932.00)	(88,816.00)	(754,517.00)	(201,548.00)
Subtotal	\$ 9,052,516.56	\$ 11,845,508.41	\$ 7,115,935.93	\$ 2,282,921.81	\$ 7,365,206.83	\$ 2,252,173.42	\$ 77,561,009.46	\$ 27,415,088.89
Excess Insurance Received	\$ -	\$ 185,138.75	\$ -	\$ -	\$ -	\$ -	\$ 1,769,941.90	\$ 10,025,948.01
Reinsurers Obligation for Payment	\$ -	\$ 4,233.17	\$ -	\$ -	\$ -	\$ -	\$ 1,369,908.16	\$ 377,176.63
Subtotal	\$ 101,730.77	\$ 176,800.86	\$ 9,881.05	\$ 185,188.29	\$ 1,830.70	\$ 36,794.69	\$ 1,724,502.40	\$ 1,074,211.12
Limited Incurred Claims	\$ 8,950,785.79	\$ 11,377,505.42	\$ 7,106,054.88	\$ 2,118,823.82	\$ 7,364,378.13	\$ 2,171,024.80	\$ 72,686,657.00	\$ 17,704,874.03
<b>Expenses:</b>								
Excess Insurance Premiums	\$ 803,347.00	\$ 6,281,706.24	\$ 643,379.00	\$ 5,807,118.82	\$ 567,545.00	\$ 4,410,032.08	\$ 20,866,833.85	\$ 40,235,217.61
Administrative Expenses	1,741,284.92	1,964,202.80	1,639,686.57	1,899,483.57	1,457,922.00	1,465,799.64	20,686,862.13	11,638,841.83
Total Incurred Liabilities	\$ 11,525,426.71	\$ 10,322,628.77	\$ 9,389,323.45	\$ 9,825,436.01	\$ 9,389,323.45	\$ 6,046,856.22	\$ 114,363,372.78	\$ 89,578,733.47
<b>Underwriting Surplus/(Deficit)</b>	\$ (2,100,580.71)	\$ 1,015,822.23	\$ (1,064,759.49)	\$ (1,064,759.49)	\$ (1,064,759.49)	\$ (1,064,759.49)	\$ (5,003,415.44)	\$ (1,842,761.48)
Investment Income	\$ 331,973.27	\$ 218,817.82	\$ 180,330.02	\$ 106,268.27	\$ 56,925.42	\$ 22,288.08	\$ 4,674,746.82	\$ 1,411,566.45
Unrealized Gains (Losses) on Investments	10,731.38	12,194.86	20,605.85	15,331.19	21,917.35	6,584.41	91,317.68	58,737.10
Gross Operating Surplus (Deficit)	\$ (1,758,776.06)	\$ 1,246,837.01	\$ (863,823.62)	\$ (923,155.93)	\$ (907,926.68)	\$ (835,887.00)	\$ (4,287,931.04)	\$ 4,381,606.63
Return of Surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 225,848.25	\$ -
Net Current Surplus (Deficit)	\$ (1,758,776.06)	\$ 1,246,837.01	\$ (863,823.62)	\$ (923,155.93)	\$ (907,926.68)	\$ (835,887.00)	\$ (4,062,082.79)	\$ 4,165,758.36

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS

DECEMBER 31, 2009

	2006 FUND YEAR		2007 FUND YEAR	
	Workers Comp	All Lines	Workers Comp	All Lines
		Total		Total
Paid Claims	\$ 5,171,924.58	\$ 1,758,791.61	\$ 5,371,340.05	\$ 1,783,571.25
Case Reserves	1,863,432.47	366,978.34	3,145,543.51	320,621.16
IBNR Reserve	310,070.00	311,935.00	731,098.00	690,345.00
Discount	(90,227.00)	(20,244.00)	(165,463.00)	(31,547.00)
Subtotal	\$ 7,255,200.05	\$ 2,417,460.95	\$ 9,082,518.56	\$ 2,762,990.41
Excess Insurance:				
Received	\$ -	\$ 342,193.71	\$ -	\$ 185,138.75
Recoverable	-	50,318.50	-	4,233.17
Subrogation	122,983.51	149,361.61	101,730.77	176,900.86
Subtotal	\$ 122,983.51	\$ 541,873.82	\$ 101,730.77	\$ 366,272.78
Incurred Claims	\$ 7,132,216.54	\$ 1,875,587.13	\$ 8,980,787.79	\$ 2,396,717.63
Number of Claims	1,059	666	1,022	719
Cost/Claim	\$ 6,734.86	\$ 2,816.20	\$ 8,787.46	\$ 3,333.40

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS

DECEMBER 31, 2009

	2008 FUND YEAR		2009 FUND YEAR	
	Workers Comp	All Lines	Workers Comp	All Lines
		Total		Total
Paid Claims	\$ 3,739,659.54	\$ 965,468.69	\$ 2,475,466.55	\$ 619,338.84
Case Reserves	2,813,276.39	314,466.22	3,070,197.28	569,623.58
IBNR Reserve	710,875.00	1,050,540.00	2,015,977.00	1,130,127.00
Discount	(147,875.00)	(48,453.00)	(195,432.00)	(66,916.00)
Subtotal	\$ 7,115,935.93	\$ 2,282,021.91	\$ 7,366,208.83	\$ 2,252,173.42
Excess Insurance:				
Received	\$ -	\$ -	\$ -	\$ -
Recoverable	-	-	-	44,354.23
Subrogation	9,881.05	163,198.29	1,830.70	36,794.69
Subtotal	\$ 9,881.05	\$ 163,198.29	\$ 1,830.70	\$ 81,148.92
Incurred Claims	\$ 7,106,054.88	\$ 2,118,823.62	\$ 7,364,378.13	\$ 2,171,024.50
Number of Claims	1,033	626	146	626
Cost/Claim	\$ 6,879.05	\$ 3,384.70	\$ 50,440.95	\$ 3,468.09

See Notes to Financial Statements

STATEWIDE INSURANCE FUND  
STATEMENT OF EXPENDITURES

FUND YEAR - 2006

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 791,678.00	\$	\$ 791,678.00
Professional Liability and All Lines		6,035,945.95	6,035,945.95
	<u>\$ 791,678.00</u>	<u>\$ 6,035,945.95</u>	<u>\$ 6,827,623.95</u>
Administrative Expenses:			
Third Party Administrator	\$ 454,769.00	\$ 244,999.95	\$ 699,768.95
Loss Control	100,800.00	28,500.00	129,300.00
Administration	494,597.00	414,663.00	909,260.00
Treasurer	22,680.00	19,320.00	42,000.00
Actuary	46,000.00	40,300.00	86,300.00
Auditor	7,200.00	5,300.00	12,500.00
Attorney	45,500.00	15,500.00	61,000.00
Risk Management - Agent Commissions	522,379.49	832,912.68	1,355,292.17
Insurance	5,309.34	10,386.99	15,696.33
Payroll Audit	7,000.00	-	7,000.00
Miscellaneous	15,413.68	117.05	15,530.73
Administrative Consultant	18,000.00	-	18,000.00
Contingent	2,500.00	2,500.00	5,000.00
Marketing	16,653.18	-	16,653.18
	<u>\$ 1,758,801.69</u>	<u>\$ 1,614,499.67</u>	<u>\$ 3,373,301.36</u>
TOTAL	<u>\$ 2,550,479.69</u>	<u>\$ 7,650,445.62</u>	<u>\$ 10,200,925.31</u>

See Notes to Financial Statements

SCHEDULE E

STATEWIDE INSURANCE FUND

STATEMENT OF EXPENDITURES

FUND YEAR - 2007

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 803,347.00	\$	\$ 803,347.00
Professional Liability and All Lines		6,261,706.24	6,261,706.24
	<u>\$ 803,347.00</u>	<u>\$ 6,261,706.24</u>	<u>\$ 7,065,053.24</u>
Administrative Expenses:			
Third Party Administrator	\$ 425,000.00	\$ 279,999.96	\$ 704,999.96
Loss Control	104,520.00	30,240.00	134,760.00
Administration	494,597.00	460,373.00	954,970.00
Treasurer	23,850.00	21,150.00	45,000.00
Actuary	43,930.70	28,435.00	72,365.70
Attorney	45,000.00	15,000.00	60,000.00
Risk Management - Agent Commissions	559,316.09	809,949.44	1,369,265.53
Insurance	3,600.00	3,650.00	7,250.00
Payroll Audit	7,000.00		7,000.00
Miscellaneous	11,550.33	12,366.85	23,917.18
Administrative Consultant	18,000.00		18,000.00
Contingent	4,930.80	3,038.65	7,969.45
Marketing			-
	<u>\$ 1,741,294.92</u>	<u>\$ 1,664,202.90</u>	<u>\$ 3,405,497.82</u>
TOTAL	<u>\$ 2,544,641.92</u>	<u>\$ 7,925,909.14</u>	<u>\$ 10,470,551.06</u>

See Notes to Financial Statements

STATEWIDE INSURANCE FUND  
STATEMENT OF EXPENDITURES

FUND YEAR - 2008

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 643,379.00	\$	\$ 643,379.00
Professional Liability and All Lines		5,907,118.82	5,907,118.82
	<u>\$ 643,379.00</u>	<u>\$ 5,907,118.82</u>	<u>\$ 6,550,497.82</u>
Administrative Expenses:			
Third Party Administrator	\$ 425,000.00	\$ 279,999.96	\$ 704,999.96
Loss Control	68,610.00	70,110.00	138,720.00
Administration	450,916.00	537,316.70	988,232.70
Treasurer	20,000.00	27,000.00	47,000.00
Actuary	38,498.75	37,101.25	75,600.00
Auditor	14,500.00	-	14,500.00
Attorney	13,570.00	49,430.00	63,000.00
Risk Management - Agent Commissions	573,716.00	823,302.99	1,397,018.99
Insurance	2,634.95	3,700.00	6,334.95
Payroll Audit	7,500.00	-	7,500.00
Miscellaneous	247.87		247.87
Administrative Consultant	14,950.00	19,950.00	34,900.00
Contingent	-	20,715.52	20,715.52
Marketing	9,746.00	30,867.15	40,613.15
	<u>\$ 1,639,889.57</u>	<u>\$ 1,899,493.57</u>	<u>\$ 3,539,383.14</u>
TOTAL	<u>\$ 2,283,268.57</u>	<u>\$ 7,806,612.39</u>	<u>\$ 10,089,880.96</u>

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

STATEMENT OF EXPENDITURES

FUND YEAR - 2009

FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 567,545.00	\$	\$ 567,545.00
Professional Liability and All Lines		4,410,032.08	4,410,032.08
	<u>\$ 567,545.00</u>	<u>\$ 4,410,032.08</u>	<u>\$ 4,977,577.08</u>
Administrative Expenses:			
Third Party Administrator	\$ 421,500.00	\$ 241,499.64	\$ 662,999.64
Loss Control	64,800.00	74,550.00	139,350.00
Administration	387,120.00	404,473.00	791,593.00
Treasurer	20,000.00	27,000.00	47,000.00
Actuary	37,800.00	46,360.00	84,160.00
Auditor	7,850.00	7,850.00	15,700.00
Attorney	13,570.00	51,097.00	64,667.00
Risk Management - Agent Commissions	479,288.00	589,270.00	1,068,558.00
Insurance	3,700.00	3,700.00	7,400.00
Payroll Audit	7,500.00	-	7,500.00
Miscellaneous	9,800.00	20,000.00	29,800.00
Contingent	4,994.00	-	4,994.00
	<u>\$ 1,457,922.00</u>	<u>\$ 1,465,799.64</u>	<u>\$ 2,923,721.64</u>
<b>TOTAL</b>	<u>\$ 2,025,467.00</u>	<u>\$ 5,875,831.72</u>	<u>\$ 7,901,298.72</u>

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

STATE REQUIRED SUPPORTING SCHEDULE - YEAR END

ANALYSIS OF CASH AND INVESTMENTS

DECEMBER 31, 2009

<u>BANK</u>	<u>ACCOUNT OR INVESTMENT NUMBER</u>	<u>AMOUNT</u>
Valley National Bank	040889963	\$ 19,192,837.75
Valley National Bank	040889971	-
Valley National Bank	040889998	-
Valley National Bank	040890481	-
Valley National Bank - Certificate of Deposit	73995355	547,970.14
Valley National Bank - Certificate of Deposit	740903754	500,000.00
Valley National Bank - Certificate of Deposit	XXXX1972	516,233.81
Valley National Bank - Certificate of Deposit	XXXX2057	1,050,000.00
Valley National Bank - Certificate of Deposit	XXXX2170	793,954.40
Valley National Bank - Certificate of Deposit	XXXX3738	271,564.00
Valley National Bank - Certificate of Deposit	XXXX3835	578,576.29
Valley National Bank - Certificate of Deposit	XXXX7416	500,000.00
Valley National Bank - Certificate of Deposit	XXXX9137	1,507,255.00
Valley National Bank - Investment Management Account	51-7700-00	1,621,364.15
		<u>\$ 27,079,755.54</u>
Less: Outstanding Checks		(231,446.63)
Plus: Outstanding Deposits		24,172.11
Plus: Net Due To/From Bank		0.14
		<u>\$ 26,872,481.16</u>

See Notes to Financial Statements

STATEWIDE INSURANCE FUND

STATE REQUIRED SUPPORTING SCHEDULE - YEAR END REPORT

ANALYSIS OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2009

Assessments	\$ 201,980.67
Reinsurance	3,000,158.61
Accrued Interest Receivable	63,774.61
Miscellaneous	<u>22,893.00</u>
	<u>\$ 3,288,806.89</u>

ANALYSIS OF PREPAID EXPENSES

DECEMBER 31, 2009

Prepaid Insurance	\$ -
Prepaid Expenses	-
	<u>-</u>
	<u>\$ -</u>

ANALYSIS OF EXPENSES PAYABLE

DECEMBER 31, 2009

General and Administrative Expenses:	
Audit	\$ 15,700.00
Actuary	8,677.25
State Examination Fees	385.07
General Expenses	<u>9,604.26</u>
	<u>\$ 34,366.58</u>

See Notes to Financial Statements

COMMENTS AND RECOMMENDATIONS

STATEWIDE INSURANCE FUND

DECEMBER 31, 2009

COMMENTS AND RECOMMENDATIONS

NONE