

**Annual
Financial Report**

of the

Statewide Insurance Fund

For the Years Ended

December 31, 2017 and 2016

STATEWIDE INSURANCE FUND

DECEMBER 31, 2017 AND 2016

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

Executive Committee
Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054

Report on the Financial Statements

We have audited the accompanying financial statements of the Statewide Insurance Fund (the "Fund"), which comprise the statements of net position as of December 31, 2017 and 2016 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Fund's 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

SUPLEE, CLOONEY & COMPANY

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.

Basis of Qualified Opinion

As permitted by the Departments of Community Affairs and 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.

Qualified Opinion

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 Statewide Insurance Fund as of December 31, 2017 and 2016, and the changes in its net position 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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Statewide Insurance Fund's financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Statewide Insurance Fund's internal control over financial reporting and compliance.

June 6, 2018

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300 Fax 908-789-8535

E-mail info@senco.com

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

Executive Committee
Statewide Insurance Fund
One Sylvan Way
Parsippany, New Jersey 07054

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Statewide Insurance Fund (the "Fund") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Statewide Insurance Fund's financial statements, and have issued our report thereon dated June 6, 2018.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of This Report

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

June 6, 2018

A handwritten signature in cursive script that reads "Suplee, Clooney & Company".

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

In this section of the annual report, management of the Statewide Insurance Fund (the "Fund") presents a narrative discussion and analysis of the Fund's financial activities for the years ended December 31, 2017 and 2016. This section of the report should be read in conjunction with the Fund's audited financial statements and supplementary information for the years ended December 31, 2017 and 2016. The Fund's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The opinion of our independent auditors, Suplee Clooney & Company is included in this report.

Financial Highlights

Total assets at year-end total \$48.6 million and liabilities total \$46.2 million. Total assets is comprised of \$30.2 million of Cash and Cash Equivalents, \$9.7 million of Investments and \$8.4 million of Reinsurance Receivables. Total Liabilities includes of Loss Reserves of \$34.8 million. Total assets increased \$2.5 million largely due to an increase of \$3.4 million in Cash and Investments offset with a decrease of \$400 thousand in Reinsurance Receivables.

Operating Revenues are comprised of assessments to participating members based on actuarial assumptions determined by the Fund's actuary. Assessments total \$27.9 million which is a decrease of \$796 thousand or 2.8% from the prior year. The decrease in assessments is the result of changes in members. Operating Expenses total \$23.3 million which is a decrease of \$1.8 million or 7.2% from the prior year. The provision for claims and claim adjustment expenses decreased \$300 thousand, insurance premiums decreased \$1.6 million and administrative expenses increased \$101 thousand. The Fund's largest expenditures are the provision for claims and claim adjustment expenses and payments for insurance premiums.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Fund's financial condition and performance.

The financial statements report information about the Fund using full accrual accounting methods. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and Notes to the financial statements.

The Statement of Net Position presents the financial position of the Fund on a full accrual historical cost basis. This statement presents information on all of the Fund's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Fund is improving or deteriorating. While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes in Net Position presents the results of the activities over the course of the fiscal year and information as to how the fund equity changed during the year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event or when an obligation arises.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Fund's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

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 86 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
- l) Non-owned Aircraft Liability
- m) Cyber Liability

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

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

	December 31,		Variance		December 31
	<u>2017</u>	<u>2016</u>	<u>Dollars</u>	<u>%</u>	<u>2015</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 30,214,767	\$ 26,399,817	\$ 3,814,950	14.5%	\$ 29,716,146
Investments	9,745,686	10,189,628	(443,942)	-4.4%	5,843,609
Assessments Receivable	12	461,511	(461,499)	---	-
Reinsurance Receivable	8,425,909	8,840,823	(414,914)	-4.7%	6,617,200
Other Assets	254,568	304,760	(50,192)	-16.5%	335,034
Total Assets	<u>\$ 48,640,942</u>	<u>\$ 46,196,539</u>	<u>\$ 2,444,403</u>	<u>5.3%</u>	<u>\$ 42,511,989</u>
<u>Liabilities</u>					
Accounts and Other Liabilities	\$ 169,068	\$ 240,683	\$ (71,615)	-29.8%	\$ 217,467
Other Liability	295,850	-	295,850	0.0%	-
Loss Reserves	34,789,439	36,908,195	(2,118,756)	-5.7%	36,966,828
Total Liabilities	<u>\$ 35,254,357</u>	<u>\$ 37,148,878</u>	<u>\$ (1,894,521)</u>	<u>-5.1%</u>	<u>\$ 37,184,295</u>
<u>Net Position</u>					
Unrestricted	\$ 13,386,585	\$ 9,047,661	\$ 4,338,924	48.0%	\$ 5,327,694
Total Net Position	<u>\$ 13,386,585</u>	<u>\$ 9,047,661</u>	<u>\$ 4,338,924</u>	<u>48.0%</u>	<u>\$ 5,327,694</u>
Total Liabilities and Net Position	<u>\$ 48,640,942</u>	<u>\$ 46,196,539</u>	<u>\$ 2,444,403</u>	<u>5.3%</u>	<u>\$ 42,511,989</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	December 31	December 31	Variance		December 31
	<u>2017</u>	<u>2016</u>	<u>Dollars</u>	<u>%</u>	<u>2015</u>
Operating Revenues	\$ 27,896,697	\$ 28,692,415	\$ (795,718)	-2.8%	\$ 27,176,870
Operating Expenses	23,341,898	25,148,277	(1,806,379)	-7.2%	27,163,170
Operating Income (Loss)	\$ 4,554,799	\$ 3,544,138	\$ 1,010,661	---	\$ 13,700
Non Operating (Revenues) Expenses	344,650	175,829	168,821	96.0%	136,742
Change in Net Position	\$ 4,899,449	\$ 3,719,967	\$ 1,179,482	---	\$ 150,442
Net Position, Beginning of Year	\$ 9,047,661	\$ 5,327,694	\$ 3,719,967	69.8%	\$ 5,177,252
Distribution	560,525	-	560,525	0.0%	-
Net Position, End of Year	<u>\$ 13,386,585</u>	<u>\$ 9,047,661</u>	<u>\$ 4,338,924</u>	<u>48.0%</u>	<u>\$ 5,327,694</u>

Contacting the Fund's Management

Any questions about the Fund's report or if additional information is needed, please contact the Fund Administrator of the Statewide Insurance Fund, One Sylvan Way, Parsippany, New Jersey 07054.

STATEWIDE INSURANCE FUNDSTATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 30,214,767	\$ 26,399,817
Investments	9,745,686	10,189,628
Assessments Receivable	12	461,511
Reinsurance Receivable	8,425,909	8,840,823
Other Assets	<u>254,568</u>	<u>304,760</u>
<u>TOTAL ASSETS</u>	<u>\$ 48,640,942</u>	<u>\$ 46,196,539</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 169,068	\$ 240,683
Other Liability	295,850	-
Loss Reserves	<u>34,789,439</u>	<u>36,908,195</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 35,254,357</u>	<u>\$ 37,148,878</u>
<u>NET POSITION</u>		
Net Position - Unrestricted	<u>\$ 13,386,585</u>	<u>\$ 9,047,661</u>
<u>TOTAL NET POSITION</u>	<u>\$ 13,386,585</u>	<u>\$ 9,047,661</u>
<u>TOTAL LIABILITIES AND NET POSITION</u>	<u>\$ 48,640,942</u>	<u>\$ 46,196,539</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUNDSTATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue:		
Assessments - Participating Members - Current Fund Year	\$ 27,896,697	\$ 28,692,415
Supplemental Assessments	-	-
Adjustments to Assessments - Prior Fund Years	-	-
Total Operating Revenue	<u>\$ 27,896,697</u>	<u>\$ 28,692,415</u>
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense - Discounted	\$ 9,329,710	\$ 9,630,005
Insurance Premiums	9,647,906	11,254,598
Administration	4,364,282	4,263,674
Total Operating Expenses	<u>\$ 23,341,898</u>	<u>\$ 25,148,277</u>
Operating Income (Loss)	\$ 4,554,799	\$ 3,544,138
Non-operating Revenue:		
Other Income (Expense) Net	\$ 3,045	\$ -
Interest Income	<u>341,605</u>	<u>175,829</u>
Change in Net Position	\$ 4,899,449	\$ 3,719,967
Net Position, Beginning of Year	9,047,661	5,327,694
Distribution to Participating Members	<u>560,525</u>	<u>-</u>
Net Position, End of Year	<u>\$ 13,386,585</u>	<u>\$ 9,047,661</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 4,554,799	\$ 3,544,138
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assessments Receivable	461,499	(461,511)
(Increase)/Decrease in Reinsurance Receivable	414,914	(2,223,623)
(Increase)/Decrease in Other Assets	50,192	30,274
Increase/(Decrease) in Accounts Payable	(71,615)	23,216
Increase/(Decrease) in Other Liabilities	295,850	-
Increase/(Decrease) in Loss Reserves	(2,118,756)	(58,633)
Other Income	3,045	-
	<u>3,589,928</u>	<u>853,861</u>
Net Cash Provided by Operating Activities	\$ <u>3,589,928</u>	\$ <u>853,861</u>
Cash Flows from Investing Activities:		
Investing Income	\$ 341,605	\$ 175,829
Sale/(Purchase) of Investments (Net)	<u>443,942</u>	<u>(4,346,019)</u>
Net Cash Provided (Used) by Investing Activities	\$ <u>785,547</u>	\$ <u>(4,170,190)</u>
Cash Flows from Noncapital Financing Activities:		
Fund Equity Distribution to Participating Members	\$ <u>(560,525)</u>	\$ <u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	\$ <u>(560,525)</u>	\$ <u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 3,814,950	\$ (3,316,329)
Cash and Cash Equivalents - Beginning of Year	<u>26,399,817</u>	<u>29,716,146</u>
Cash and Cash Equivalents - End of Year	<u>\$ 30,214,767</u>	<u>\$ 26,399,817</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(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 86 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 or 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
- l) Non-owned Aircraft Liability
- m) Cyber Liability

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

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(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.

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. Accordingly, Certificates of Deposit maturing within three months are included in cash and 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, 2017 AND 2016

(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, 2017 AND 2016

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Prepaid expenses consist of payments of expenses made in advance.

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, 2017. 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, 2017 AND 2016

(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 .5% 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, 2017 AND 2016

(3) CASH AND CASH EQUIVALENTS

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, 2017, 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>2017</u>	<u>2016</u>
Checking Accounts	\$28,542,570	\$25,323,728
Certificates of Deposit	593,925	--
Money Market Account	<u>1,078,272</u>	<u>1,076,089</u>
TOTAL	<u>\$30,214,767</u>	<u>\$26,399,817</u>

The carrying amount of Statewide Insurance Fund's cash and cash equivalents at cost at December 31, 2017 and 2016 was \$30,214,768 and \$26,399,817, respectively. The bank balances were \$40,427,324 and \$26,839,835, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance and \$39,927,324 and \$26,339,835, respectively, was covered by the collateral pool maintained by the banks as required by New Jersey statutes.

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(4) INVESTMENTS

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 certificates of deposit and government securities with the intent of holding them until maturity. Investments are reported at fair value based on year-end quoted market prices.

	<u>December 31, 2017</u>		<u>December 31, 2016</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Certificates of Deposit	<u>\$9,745,686</u>	<u>\$9,745,686</u>	<u>\$10,189,628</u>	<u>\$10,189,628</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, 2017 AND 2016

(5) 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.

(6) FUND EQUITY DISTRIBUTION PAYABLE

During 2017 and 2016, the Fund did not declare a distribution of fund equity. Distributions are approved by the State Department of Banking and Insurance.

(7) RETURN OF SURPLUS

Return of surplus is recognized upon authorization of the Fund Commissioners with the approval of the Commissioner of Insurance of the Department of Banking and Insurance of the State of New Jersey. Any moneys 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 from any claim fund that has been completed for not less than twenty-four months, provided that the remaining net current surplus in the account from which the refund is made must equal or exceed the surplus retention formula promulgated by the regulations governing joint insurance funds.

During 2017, the Board authorized and the State approved a return of surplus for the 1994 fund year in the amount of \$560,525.

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(8) MINIMUM SURPLUS REQUIREMENTS

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

(9) 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.

(10) 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.

(11) LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2017. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including the effects of inflation and other societal or economic factors, 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. Amounts to be reimbursed from the reinsurers are shown on the balance sheets as reinsurance receivable.

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(12) 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 discounted reported and unreported liabilities for the Fund for years 2017 and 2016 for all open Fund years:

	<u>2017</u>	<u>2016</u>
Total unpaid claims and claim adjustment expenses all Fund years - beginning of year	\$36,908,195	\$36,966,828
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fund year	10,850,810	11,919,123
Changes in provision for insured events of prior fund years	<u>(1,516,064)</u>	<u>(2,289,117)</u>
Total incurred claims and claim adjustment expenses all Fund years	<u>\$46,242,942</u>	<u>\$46,596,834</u>
Payments:		
Claims and claim adjustment expenses:		
Attributable to insured events of current fund year	\$ 2,871,454	\$ 3,823,592
Attributable to insured events of prior fund years	<u>8,582,047</u>	<u>5,865,047</u>
Total Payments all Fund years	<u>11,453,501</u>	<u>9,688,639</u>
Total unpaid claims and claim adjustment expenses all Fund years - end of year	<u>\$34,789,439</u>	<u>\$36,908,195</u>

STATEWIDE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

(13) SUBSEQUENT EVENTS

The Fund has evaluated subsequent events occurring after the financial statement date through June 6, 2018, 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 disclosure in the financial statements.

(14) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Fund may be a party to litigation. At December 31, 2017, 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.

SUPPLEMENTARY INFORMATION

STATEWIDE INSURANCE FUND

HISTORICAL YEAR OPERATING RESULTS ANALYSIS

FUND YEARS: CLOSED YEARS, 2012, 2013, 2014, 2015, 2016 AND 2017

DECEMBER 31, 2017

<u>Underwriting Income:</u>		
Regular Contributions	\$	371,920,658.79
Supplemental Contributions		1,660,000.00
Other Income		464,969.19
<u>Total Income</u>		\$ 374,045,627.98
<u>Incurred Liabilities:</u>		
Claims:		
Paid	\$	176,833,643.81
Case Reserves		22,789,451.25
IBNR Reserve		13,302,127.00
Discount		(1,302,139.00)
Subtotal		\$ 211,623,083.06
Less Excess Insurance:		
Received	\$	20,464,441.00
Recoverable		8,425,909.38
Subrogation		6,701,837.59
Deductible Reimbursements		205,274.98
Subtotal		35,797,462.95
Limited Incurred Claims	\$	175,825,620.11
Expenses:		
Excess Insurance Premiums	\$	129,497,649.91
Administrative		62,527,248.90
Subtotal Expenses		192,024,898.81
<u>Total Incurred Liabilities</u>		<u>367,850,518.92</u>
<u>Underwriting Surplus/(Deficit)</u>	\$	6,195,109.06
<u>Investment Income</u>		<u>7,977,849.09</u>
<u>Gross Operating Surplus/(Deficit)</u>	\$	14,172,958.15
<u>Return of Surplus:</u>		
Paid	\$	(786,373.25)
Authorized and Unpaid		-
Subtotal Return of Surplus		(786,373.25)
<u>Net Current Surplus/(Deficit)</u>	\$	<u>13,386,584.94</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

HISTORICAL BALANCE SHEET

FUND YEARS: CLOSED YEARS, 2012, 2013, 2014, 2015, 2016 AND 2017

DECEMBER 31, 2017

Assets:			
Cash and Investments	\$	<u>39,960,453.20</u>	
			\$ 39,960,453.20
Receivables:			
Excess Insurance	\$	8,425,909.38	
Miscellaneous Receivable		47,059.72	
Deductible Reimbursement Receivable		205,275.48	
Assessments		11.67	
Other		<u>2,233.21</u>	
Total Receivables			8,680,489.46
Other Assets			
<u>Total Assets</u>			<u>\$ 48,640,942.66</u>
Liabilities:			
Claims:			
Case Reserves	\$	22,789,451.25	
IBNR Reserve		13,302,127.00	
Discount Reserve		<u>(1,302,139.00)</u>	
Subtotal Claims			\$ 34,789,439.25
Expenses (Unpaid):			
Excess Insurance	\$		
Administrative		129,068.47	
State Examination Fees		<u>40,000.00</u>	
Subtotal Expenses			169,068.47
Other Liabilities:			
Assessment Overpayments	\$	-	
Unallocated		-	
Authorized Return of Surplus			
Miscellaneous Liabilities		<u>295,850.00</u>	
Subtotal			<u>295,850.00</u>
<u>Total Liabilities</u>			<u>35,254,357.72</u>
Net Current Surplus/(Deficit)	\$		<u><u>13,386,584.94</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

DECEMBER 31, 2017

	CLOSED YEARS		2012 FUND YEAR		2013 FUND YEAR		Total
	Workers Comp	All Lines	Workers Comp	All Lines	Workers Comp	All Lines	
Underwriting Income							
Regular Contributions (Earned)	\$ 126,222,089.32	\$ 90,631,095.05	\$ 216,853,184.37	\$ 12,136,196.00	\$ 10,878,667.99	\$ 12,446,817.00	\$ 23,325,474.99
Supplemental Contributions	1,660,000.00		1,660,000.00				
Other Income (Except Investments)	399,791.07	43,007.61	442,798.68		3,776.01	4,400.61	8,176.62
Total Income	\$ 128,281,880.39	\$ 90,674,102.66	\$ 218,955,983.05	\$ 12,136,196.00	\$ 10,882,434.00	\$ 12,451,217.61	\$ 23,333,651.61
Incurred Liabilities							
Claims Paid	\$ 91,557,071.68	\$ 33,195,225.17	\$ 124,752,296.85	\$ 6,324,833.60	\$ 7,944,667.34	\$ 2,372,611.73	\$ 10,317,279.07
Case Reserves	7,953,852.05	-	7,953,852.05	1,605,018.75	1,007,506.18	256,488.82	1,263,995.00
IBNR Reserves	1,300,950.00	-	1,300,950.00	4,066.00	766,350.00	95,163.00	861,513.00
Discount	(180,839.00)	-	(180,839.00)	(58,969.00)	(73,653.00)	(4,791.00)	(78,444.00)
Subtotal	\$ 100,631,034.73	\$ 33,195,225.17	\$ 133,826,259.90	\$ 7,933,566.35	\$ 9,644,870.52	\$ 2,719,472.55	\$ 12,364,343.07
Excess Insurance Received	\$ 3,527,374.28	\$ 13,424,474.98	\$ 16,951,849.26	\$ 3,037,885.22	\$ -	\$ 47,439.01	\$ 47,439.01
Reinsurers Obligation for Payment	6,113,626.62	-	6,113,626.62	1,606,682.53	597,294.66	-	597,294.66
Subrogation	3,062,336.71	1,474,570.98	4,536,907.69	165,772.51	24,239.08	226,495.85	250,734.93
Deductible Reimbursements	-	-	-	83,185.35	-	65,514.54	65,514.54
Subtotal	\$ 12,703,337.61	\$ 14,899,045.96	\$ 27,602,383.57	\$ 4,893,525.61	\$ 621,533.74	\$ 339,449.40	\$ 960,983.14
Limited Incurred Claims	\$ 87,927,697.12	\$ 18,296,179.21	\$ 106,223,876.33	\$ 3,040,040.74	\$ 9,023,336.78	\$ 2,380,023.15	\$ 11,403,359.93
Expenses:							
Excess Insurance Premiums	\$ 22,147,016.83	\$ 50,394,664.10	\$ 72,541,680.93	\$ 7,056,018.50	\$ 7,882,342.13	\$ 7,306,061.67	\$ 8,269,997.67
Administrative Expenses	23,888,569.20	14,654,216.91	38,542,786.11	1,861,176.62	1,862,086.96	1,821,619.23	3,683,706.19
Total Incurred Liabilities	\$ 133,963,283.15	\$ 83,345,060.22	\$ 217,308,343.37	\$ 11,871,786.00	\$ 11,849,359.74	\$ 11,507,704.05	\$ 23,357,063.79
Underwriting Surplus/(Deficit)	\$ (5,681,402.76)	\$ 7,329,042.44	\$ 1,647,639.68	\$ 264,410.00	\$ (966,925.74)	\$ 943,513.56	\$ (23,412.18)
Investment Income	\$ 5,437,383.49	\$ 1,893,880.69	\$ 7,331,264.18	\$ 42,554.62	\$ 41,950.36	\$ 40,902.32	\$ 82,852.68
Unrealized Gains (Losses) on Investments	62,843.87	43,337.67	106,181.54	-	-	-	-
Gross Operating Surplus (Deficit)	\$ (181,175.40)	\$ 9,266,260.80	\$ 9,085,085.40	\$ 306,964.62	\$ (924,975.38)	\$ 984,415.88	\$ 59,440.50
Transfers	-	-	-	(8,044.00)	-	-	-
Return of Surplus	(786,373.25)	-	(786,373.25)	-	-	-	-
Net Current Surplus (Deficit)	\$ (967,548.65)	\$ 9,266,260.80	\$ 8,298,712.15	\$ 298,920.62	\$ (924,975.38)	\$ 984,415.88	\$ 59,440.50

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

DECEMBER 31, 2017

	2014 FUND YEAR		2015 FUND YEAR		2016 FUND YEAR	
	Workers Comp	All Lines	Workers Comp	All Lines	Workers Comp	All Lines
Underwriting Income						
Regular Contributions (Earned)	\$ 11,396,171.46	\$ 13,674,644.84	\$ 12,051,804.13	\$ 15,125,066.00	\$ 12,530,496.00	\$ 16,161,919.00
Supplemental Contributions	-	-	-	-	-	-
Other Income (Except Investments)	-	12,189.75	-	-	-	395.39
Total Income	<u>\$ 11,396,171.46</u>	<u>\$ 13,686,834.59</u>	<u>\$ 12,051,804.13</u>	<u>\$ 15,125,066.00</u>	<u>\$ 12,530,496.00</u>	<u>\$ 16,162,314.39</u>
		12,189.75				395.39
Incurred Liabilities						
Claims Paid	\$ 8,298,176.41	\$ 2,326,686.19	\$ 5,525,376.20	\$ 2,309,497.14	\$ 4,986,653.94	\$ 1,994,737.97
Case Reserves	2,367,130.16	487,585.53	1,700,849.31	813,393.10	3,151,688.17	234,213.78
IBNR Reserves	759,169.00	215,103.00	1,017,798.00	597,477.00	1,425,529.00	902,683.00
Discount	(168,820.00)	(15,920.00)	(135,932.00)	(33,631.00)	(224,284.00)	(46,766.00)
Subtotal	<u>\$ 11,255,655.57</u>	<u>\$ 3,013,454.72</u>	<u>\$ 8,109,091.51</u>	<u>\$ 3,686,736.24</u>	<u>\$ 9,339,587.11</u>	<u>\$ 3,084,868.75</u>
		14,269,110.29		11,794,827.75		12,424,455.86
Excess Insurance Received	\$ 44,823.35	\$ 161,197.51	\$ -	\$ 40,204.93	\$ -	\$ 181,041.72
Reinsurers Obligation for Payment	-	-	-	-	108,305.57	108,305.57
Subrogation	210,012.81	297,827.07	38,642.14	446,427.65	273,344.53	302,760.76
Deductible Reimbursements	-	43,549.56	-	7,990.53	-	-
Subtotal	<u>\$ 254,836.16</u>	<u>\$ 502,574.14</u>	<u>\$ 38,642.14</u>	<u>\$ 494,623.11</u>	<u>\$ 381,650.10</u>	<u>\$ 483,802.48</u>
		757,410.30		533,265.25		865,452.58
Limited Incurred Claims	\$ 11,000,819.41	\$ 2,510,880.58	\$ 8,069,449.37	\$ 3,192,113.13	\$ 8,957,937.01	\$ 2,601,066.27
		13,511,699.99		11,261,562.50		11,559,003.28
Expenses:						
Excess Insurance Premiums	\$ 1,312,561.00	\$ 8,200,753.36	\$ 1,417,616.00	\$ 8,970,194.90	\$ 1,523,674.00	\$ 9,730,923.80
Administrative Expenses	1,917,550.43	1,924,721.11	1,765,772.23	2,411,721.75	1,949,993.12	2,329,812.89
Total Incurred Liabilities	<u>\$ 14,230,930.84</u>	<u>\$ 12,636,355.05</u>	<u>\$ 11,252,837.60</u>	<u>\$ 14,574,029.78</u>	<u>\$ 12,431,604.13</u>	<u>\$ 27,093,407.09</u>
		26,867,285.89		25,826,867.38		27,093,407.09
Underwriting Surplus/(Deficit)	<u>\$ (2,834,759.38)</u>	<u>\$ 1,050,479.54</u>	<u>\$ 798,966.53</u>	<u>\$ 551,036.22</u>	<u>\$ 98,891.87</u>	<u>\$ 1,500,511.43</u>
Investment Income	\$ 28,200.21	\$ 41,020.39	\$ 64,732.07	\$ 33,105.79	\$ 55,093.19	\$ 23,552.13
Unrealized Gains (Losses) on Investments	-	-	-	-	-	-
Gross Operating Surplus (Deficit)	<u>\$ (2,806,559.17)</u>	<u>\$ 1,091,499.93</u>	<u>\$ 863,698.60</u>	<u>\$ 584,142.01</u>	<u>\$ 153,985.06</u>	<u>\$ 1,524,063.56</u>
		(1,715,059.24)		1,447,840.61		1,678,048.62
Transfers	-	-	-	-	-	-
Return of Surplus	-	-	-	-	-	-
Net Current Surplus (Deficit)	<u>\$ (2,806,559.17)</u>	<u>\$ 1,091,499.93</u>	<u>\$ 863,698.60</u>	<u>\$ 584,142.01</u>	<u>\$ 153,985.06</u>	<u>\$ 1,524,063.56</u>
		(1,715,059.24)		1,447,840.61		1,678,048.62

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

DECEMBER 31, 2017

	2017 FUND YEAR		TOTAL ALL FUND YEARS	
	Workers Comp	All Lines	Workers Comp	All Lines
<u>Underwriting Income</u>				
Regular Contributions (Earned)	\$ 11,945,319.00	\$ 15,951,378.00	\$ 195,793,542.90	\$ 176,127,115.89
Supplemental Contributions	-	-	1,660,000.00	-
Other Income (Except Investments)	150.00	150.00	404,975.83	59,993.36
<u>Total Income</u>	\$ 11,945,469.00	\$ 15,951,378.00	\$ 197,858,518.73	\$ 176,187,109.25
<u>Incurred Liabilities</u>				
Claims Paid	\$ 2,238,959.79	\$ 696,192.24	\$ 127,613,859.77	\$ 49,219,784.04
Case Reserves	2,305,575.68	292,492.34	19,100,258.93	3,689,192.32
IBNR Reserves	3,473,520.00	2,265,949.00	9,221,686.00	4,080,441.00
Discount	(246,624.00)	(111,558.00)	(1,089,121.00)	(213,018.00)
<u>Subtotal</u>	\$ 7,771,431.47	\$ 3,143,075.58	\$ 154,846,683.70	\$ 56,776,399.36
Excess Insurance Received	-	-	3,572,197.63	16,892,243.37
Reinsurers Obligation for Payment	-	-	6,819,226.85	1,606,682.53
Subrogation	224.23	63,473.87	3,724,508.90	2,977,328.69
Deductible Reimbursements	-	5,035.00	-	205,274.98
<u>Subtotal</u>	\$ 224.23	\$ 68,508.87	\$ 14,115,933.38	\$ 21,681,529.57
Limited Incurred Claims	\$ 7,771,207.24	\$ 3,074,566.71	\$ 140,730,750.32	\$ 35,094,869.79
Expenses:				
Excess Insurance Premiums	\$ 1,508,000.00	\$ 8,139,906.12	\$ 29,699,127.46	\$ 99,798,522.45
Administrative Expenses	1,889,494.65	2,474,787.03	35,134,643.21	27,392,605.68
<u>Total Incurred Liabilities</u>	\$ 11,168,701.89	\$ 13,689,259.86	\$ 205,564,520.99	\$ 162,285,997.92
<u>Underwriting Surplus/(Deficit)</u>	\$ 776,767.11	\$ 2,262,118.14	\$ (7,706,002.26)	\$ 13,901,111.33
Investment Income	\$ 48,673.56	\$ 37,933.34	\$ 86,606.90	\$ 5,758,718.27
Unrealized Gains (Losses) on Investments	-	-	62,843.87	43,337.67
Gross Operating Surplus (Deficit)	\$ 825,440.67	\$ 2,300,051.48	\$ (1,884,440.12)	\$ 16,057,398.28
Transfers	-	8,044.00	-	-
Return of Surplus	-	-	(786,373.25)	-
<u>Net Current Surplus (Deficit)</u>	\$ 825,440.67	\$ 2,308,095.48	\$ (2,670,813.37)	\$ 16,057,398.28
				\$ 13,386,584.94

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

FUND YEAR CLAIMS ANALYSIS

DECEMBER 31, 2017

	2012 FUND YEAR		2013 FUND YEAR		2014 FUND YEAR	
	Workers Comp	All Lines	Workers Comp	All Lines	Workers Comp	All Lines
		Total		Total		Total
Paid Claims	\$ 7,062,954.41	\$ 13,387,788.01	\$ 7,944,667.34	\$ 10,317,279.07	\$ 8,298,176.41	\$ 10,624,862.60
Case Reserves	613,657.38	2,218,676.13	1,007,506.18	1,263,995.00	2,367,130.16	2,854,715.69
IBNR Reserve	478,370.00	482,436.00	766,350.00	95,163.00	759,169.00	974,272.00
Discount	(58,969.00)	(59,321.00)	(73,653.00)	(4,791.00)	(168,820.00)	(184,740.00)
Subtotal	\$ 8,096,012.79	\$ 16,029,579.14	\$ 9,644,870.52	\$ 12,364,343.07	\$ 11,255,655.57	\$ 14,269,110.29
Excess Insurance:						
Received	\$ -	\$ 3,037,885.22	\$ -	\$ 47,439.01	\$ 44,823.35	\$ 161,197.51
Recoverable	-	1,606,682.53	597,294.66	597,294.66	-	-
Subrogation	115,709.40	165,772.51	24,239.08	226,495.85	210,012.81	297,827.07
Deductible Reimbursements	-	83,185.35	-	65,514.54	-	43,549.56
Subtotal	\$ 115,709.40	\$ 4,893,525.61	\$ 621,533.74	\$ 339,449.40	\$ 254,836.16	\$ 502,574.14
Incurred Claims	\$ 7,980,303.39	\$ 3,040,040.74	\$ 9,023,336.78	\$ 2,380,023.15	\$ 11,000,819.41	\$ 2,510,880.58
Number of Claims	154	274	142	312	158	379
Cost/Claim	\$ 51,820.15	\$ 11,095.04	\$ 63,544.63	\$ 7,628.28	\$ 69,625.44	\$ 6,625.01

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND
FUND YEAR CLAIMS ANALYSIS

DECEMBER 31, 2017

	2015 FUND YEAR		2016 FUND YEAR		2017 FUND YEAR	
	Workers Comp	All Lines	Workers Comp	All Lines	Workers Comp	All Lines
Paid Claims	\$ 5,525,376.20	\$ 2,309,497.14	\$ 7,834,873.34	\$ 1,994,737.97	\$ 2,238,959.79	\$ 696,192.24
Case Reserves	1,700,849.31	813,393.10	2,514,242.41	234,213.78	2,305,575.68	292,492.34
IBNR Reserve	1,017,798.00	597,477.00	1,615,275.00	902,683.00	3,473,520.00	2,265,949.00
Discount	(135,932.00)	(33,631.00)	(169,563.00)	(46,766.00)	(246,624.00)	(111,558.00)
Subtotal	\$ 8,108,091.51	\$ 3,686,736.24	\$ 11,794,827.75	\$ 3,084,868.75	\$ 7,771,431.47	\$ 3,143,075.58
Excess Insurance:						
Received	\$ -	\$ 40,204.93	\$ 40,204.93	\$ 181,041.72	\$ -	\$ -
Recoverable	-	-	-	108,305.57	-	-
Subrogation	38,642.14	446,427.65	485,069.79	273,344.53	224.23	63,473.87
Deductible Reimbursements	-	7,990.53	7,990.53	-	-	-
Subtotal	\$ 38,642.14	\$ 494,623.11	\$ 533,265.25	\$ 381,650.10	\$ 224.23	\$ 63,473.87
Incurred Claims	\$ 8,069,449.37	\$ 3,192,113.13	\$ 11,261,562.50	\$ 2,601,066.27	\$ 7,771,207.24	\$ 3,079,601.71
Number of Claims	174	413	143	321	104	278
Cost/Claim	\$ 46,376.15	\$ 7,729.09	\$ 62,642.92	\$ 8,103.01	\$ 74,723.15	\$ 11,077.70

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND
STATEMENT OF EXPENDITURES
FUND YEAR - 2012
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 826,323.63	\$	\$ 826,323.63
Professional Liability and All Lines		7,056,018.50	7,056,018.50
	<u>\$ 826,323.63</u>	<u>\$ 7,056,018.50</u>	<u>\$ 7,882,342.13</u>
Administrative Expenses:			
Third Party Administrator	\$ 429,864.00	\$ 214,690.00	\$ 644,554.00
Loss Control	87,500.00	79,300.00	166,800.00
Administration	542,379.00	505,278.90	1,047,657.90
Treasurer	25,000.00	25,000.00	50,000.00
Actuary	38,108.09	59,942.73	98,050.82
Auditor	8,000.00	8,000.00	16,000.00
Attorney	32,500.04	32,499.97	65,000.01
Risk Management - Agent Commissions	650,484.36	816,830.56	1,467,314.92
MSA Reporting	9,000.00	9,000.00	18,000.00
Insurance	3,441.51	3,441.51	6,883.02
Payroll Audit	7,500.00	-	7,500.00
State Audit	15,000.00	15,000.00	30,000.00
Miscellaneous	12,399.62	6,743.09	19,142.71
Contingent			-
	<u>\$ 1,861,176.62</u>	<u>\$ 1,775,726.76</u>	<u>\$ 3,636,903.38</u>
TOTAL	<u>\$ 2,687,500.25</u>	<u>\$ 8,831,745.26</u>	<u>\$ 11,519,245.51</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND
STATEMENT OF EXPENDITURES
FUND YEAR - 2013
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 963,936.00	\$	\$ 963,936.00
Professional Liability and All Lines		7,306,061.67	7,306,061.67
	<u>\$ 963,936.00</u>	<u>\$ 7,306,061.67</u>	<u>\$ 8,269,997.67</u>
Administrative Expenses:			
Third Party Administrator	\$ 431,762.00	\$ 211,752.00	\$ 643,514.00
Loss Control	88,380.00	81,380.00	169,760.00
Administration	554,977.95	\$ 516,307.99	1,071,285.94
Treasurer	25,500.00	25,500.00	51,000.00
Actuary	41,786.02	41,786.03	83,572.05
Auditor	8,000.00	8,000.00	16,000.00
Attorney	33,500.00	33,500.00	67,000.00
Risk Management - Agent Commissions	653,406.31	882,264.71	1,535,671.02
MSA Reporting	9,000.00	9,000.00	18,000.00
Insurance	3,944.14	3,944.13	7,888.27
Miscellaneous	11,830.54	8,184.37	20,014.91
Contingent	-	-	-
	<u>\$ 1,862,086.96</u>	<u>\$ 1,821,619.23</u>	<u>\$ 3,683,706.19</u>
TOTAL	<u>\$ 2,826,022.96</u>	<u>\$ 9,127,680.90</u>	<u>\$ 11,953,703.86</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

STATEMENT OF EXPENDITURES

FUND YEAR - 2014

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 1,312,561.00	\$	\$ 1,312,561.00
Professional Liability and All Lines		8,200,753.36	8,200,753.36
	<u>\$ 1,312,561.00</u>	<u>\$ 8,200,753.36</u>	<u>\$ 9,513,314.36</u>
Administrative Expenses:			
Third Party Administrator	\$ 431,762.00	\$ 223,283.00	\$ 655,045.00
Loss Control	89,880.00	89,880.01	179,760.01
Administration	572,996.00	\$ 525,268.34	1,098,264.34
Treasurer	26,000.00	26,000.00	52,000.00
Actuary	40,500.75	42,080.00	82,580.75
Auditor	8,000.00	8,000.00	16,000.00
Attorney	33,500.04	33,499.96	67,000.00
Risk Management - Agent Commissions	688,038.90	957,523.98	1,645,562.88
MSA Reporting	9,000.00	9,000.00	18,000.00
Insurance	3,769.06	3,769.06	7,538.12
Miscellaneous	14,103.68	6,416.76	20,520.44
Contingent	-	-	-
	<u>\$ 1,917,550.43</u>	<u>\$ 1,924,721.11</u>	<u>\$ 3,842,271.54</u>
TOTAL	<u>\$ 3,230,111.43</u>	<u>\$ 10,125,474.47</u>	<u>\$ 13,355,585.90</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

STATEMENT OF EXPENDITURES

FUND YEAR - 2015

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 1,417,616.00	\$	\$ 1,417,616.00
Professional Liability and All Lines		8,970,195.00	8,970,195.00
	<u>\$ 1,417,616.00</u>	<u>\$ 8,970,195.00</u>	<u>\$ 10,387,811.00</u>
Administrative Expenses:			
Third Party Administrator	\$ 305,739.00	\$ 374,353.16	\$ 680,092.16
Loss Control	81,239.00	101,321.00	182,560.00
Administration	514,855.00	642,123.04	1,156,978.04
Treasurer	23,140.00	28,860.00	52,000.00
Actuary	35,600.00	44,400.00	80,000.00
Auditor	7,432.00	9,269.00	16,701.00
Attorney	29,815.00	37,185.00	67,000.00
Risk Management - Agent Commissions	709,582.23	1,059,052.36	1,768,634.59
MSA Reporting	8,010.00	9,990.00	18,000.00
Insurance	3,292.00	4,107.00	7,399.00
Miscellaneous	4,940.00	6,160.00	11,100.00
Contingent	42,128.00	94,901.19	137,029.19
	<u>\$ 1,765,772.23</u>	<u>\$ 2,411,721.75</u>	<u>\$ 4,177,493.98</u>
TOTAL	<u>\$ 3,183,388.23</u>	<u>\$ 11,381,916.75</u>	<u>\$ 14,565,304.98</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

STATEMENT OF EXPENDITURES

FUND YEAR - 2016

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 1,523,674.00	\$	\$ 1,523,674.00
Professional Liability and All Lines		9,730,924.00	9,730,924.00
	<u>\$ 1,523,674.00</u>	<u>\$ 9,730,924.00</u>	<u>\$ 11,254,598.00</u>
Administrative Expenses:			
Third Party Administrator	\$ 352,013.14	\$ 335,110.01	\$ 687,123.15
Loss Control	91,680.00	91,680.00	183,360.00
Administration	581,734.00	581,811.95	1,163,545.95
Treasurer	26,750.00	26,750.00	53,500.00
Actuary	40,000.03	40,000.02	80,000.05
Auditor	8,517.50	8,517.50	17,035.00
Attorney	34,170.00	34,170.00	68,340.00
Risk Management - Agent Commissions	698,277.46	1,096,387.79	1,794,665.25
MSA Reporting	9,000.00	9,000.00	18,000.00
Insurance	-	7,138.00	7,138.00
Pivot Point Security	35,409.00	35,409.00	70,818.00
Miscellaneous	14,869.88	7,279.40	22,149.28
Contingent	49,506.11	48,493.02	97,999.13
	<u>\$ 1,941,927.12</u>	<u>\$ 2,321,746.69</u>	<u>\$ 4,263,673.81</u>
TOTAL	<u>\$ 3,465,601.12</u>	<u>\$ 12,052,670.69</u>	<u>\$ 15,518,271.81</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUNDSTATEMENT OF EXPENDITURESFUND YEAR - 2017FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Premiums:			
Workers Compensation Excess	\$ 1,508,000.00	\$	\$ 1,508,000.00
Professional Liability and All Lines		8,139,906.00	8,139,906.00
	<u>\$ 1,508,000.00</u>	<u>\$ 8,139,906.00</u>	<u>\$ 9,647,906.00</u>
Administrative Expenses:			
Third Party Administrator	\$ 323,498.03	\$ 323,497.93	\$ 646,995.96
Loss Control	91,800.00	91,800.00	183,600.00
Administration	647,500.04	647,499.96	1,295,000.00
Treasurer	27,000.00	27,000.00	54,000.00
Actuary	33,851.43	40,578.47	74,429.90
Auditor	8,800.00	8,800.00	17,600.00
Attorney	34,853.03	34,852.97	69,706.00
Risk Management - Agent Commissions	661,917.25	1,070,167.25	1,732,084.50
MSA Reporting	9,000.00	9,000.00	18,000.00
TPA for Law Enforcement Liability	18,000.00	-	18,000.00
Insurance	3,553.25	3,553.25	7,106.50
Pivot Point Security	38,628.00	38,628.00	77,256.00
Miscellaneous	25,752.39	10,173.25	35,925.64
Contingent	75,955.51	58,621.50	134,577.01
	<u>\$ 2,000,108.93</u>	<u>\$ 2,364,172.58</u>	<u>\$ 4,364,281.51</u>
TOTAL	<u>\$ 3,508,108.93</u>	<u>\$ 10,504,078.58</u>	<u>\$ 14,012,187.51</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

STATE REQUIRED SUPPORTING SCHEDULE - YEAR END

ANALYSIS OF CASH AND INVESTMENTS

DECEMBER 31, 2017

<u>BANK</u>	<u>ACCOUNT OR INVESTMENT NUMBER</u>	<u>AMOUNT</u>
Valley National Bank - Operating Account	040889963	\$ 29,009,439.50
Valley National Bank - Workers Comp Claims Acct	040889998	-
Valley National Bank - All Lines Claims Acct	040890481	-
Valley National Bank - All Lines Claims Acct	41606043	-
Valley National Bank - Certificate of Deposit	74397508	538,113.11
Valley National Bank - Certificate of Deposit	74397532	292,327.28
Valley National Bank - Certificate of Deposit	74397583	534,069.32
Valley National Bank - Certificate of Deposit	74397613	534,069.32
Valley National Bank - Certificate of Deposit	74397656	534,069.32
Valley National Bank - Certificate of Deposit	74397680	131,381.03
Valley National Bank - Certificate of Deposit	7445850101	1,665,438.98
Valley National Bank - Certificate of Deposit	74203037	593,925.42
Valley National Bank - Certificate of Deposit	744420954	4,340,757.65
Valley National Bank - Certificate of Deposit	740944320	636,465.23
Valley National Bank - Certificate of Deposit	74094440	538,995.12
Investors Savings Bank - Money Market	00269904168	1,078,273.05
		<u>\$ 40,427,324.33</u>
Less: Outstanding Checks		(464,262.45)
Plus: Outstanding Deposits		-
Plus: Net Due To/From Bank		<u>(2,608.19)</u>
		<u>\$ 39,960,453.69</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

STATE REQUIRED SUPPORTING SCHEDULE - YEAR END REPORT

ANALYSIS OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2017

Assessments	\$	11.67
Reinsurance		8,425,909.38
Accrued Interest Receivable		47,059.72
Deductible Reimbursement Receivable		<u>205,275.48</u>
	\$	<u><u>8,678,256.25</u></u>

ANALYSIS OF PREPAID EXPENSES

DECEMBER 31, 2017

Prepaid Insurance	\$	-
Prepaid Expenses		<u>2,233.21</u>
	\$	<u><u>2,233.21</u></u>

ANALYSIS OF EXPENSES PAYABLE

DECEMBER 31, 2017

General and Administrative Expenses:		
Audit	\$	17,600.00
Risk Management Consultants		8,295.50
State Audit		40,000.00
Grants		101,714.55
General Expenses		<u>1,458.42</u>
	\$	<u><u>169,068.47</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEWIDE INSURANCE FUND

RECONCILIATION OF CLAIMS LIABILITY BY FUND
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2017

	<u>Workers Comp</u>	<u>All Lines</u>	<u>Total</u>
Total Unpaid Claim and Claim Adjustment Expenses - Beginning of Year	\$ 30,403,901	\$ 6,504,294	\$ 36,908,195
Incurred Claims and Claims Adjustment Expenses: Provision for Insured Events of Current Fund Year	7,771,208	3,079,602	10,850,810
Changes in Provision for Insured Events of Prior Fund Years	<u>(2,034,321)</u>	<u>518,257</u>	<u>(1,516,064)</u>
Total Incurred Claims and Claims Adjustment Expenses all Fund Years	\$ 36,140,789	\$ 10,102,153	\$ 46,242,942
Payments:			
Claims and Claims Adjustment Expenses: Attributable to Insured Events of Current Fund Year	\$ 2,238,736	\$ 632,718	\$ 2,871,454
Attributable to Insured Events of Prior Fund Years	<u>6,669,227</u>	<u>1,912,820</u>	<u>8,582,047</u>
Total Payments All Fund Years	\$ 8,907,963	\$ 2,545,538	\$ 11,453,501
Total Unpaid Claim and Claim Adjustment Expenses - End of Year	<u>\$ 27,232,825</u>	<u>\$ 7,556,614</u>	<u>\$ 34,789,439</u>

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COMMENTS AND RECOMMENDATIONS

STATEWIDE INSURANCE FUND

DECEMBER 31, 2017

COMMENTS AND RECOMMENDATIONS

NONE

