

**REPORT ON EXAMINATION AS TO THE CONDITION OF
PUBLIC ENTITY JOINT INSURANCE FUND
WOODBIDGE, NEW JERSEY 07095
AT DECEMBER 31, 2022**



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PHIL MURPHY
Governor

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August 19, 2024

Honorable Justin Zimmerman
Acting Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

**Public Entity Joint Insurance Fund
900 Route 9 North, Suite 404
Woodbridge, NJ 07095
Examination Warrant JIF-2**

a joint insurance fund authorized to transact business in the State of New Jersey, and hereinafter referred to as "PEJIF," "JIF," or "Fund."

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "Department") pursuant to the authority granted by Section 40A:10-47 of the New Jersey Annotated Revised Statutes.

The examination covered the nine-year period from January 1, 2014, the date of the JIF's founding, to December 31, 2022, including material transactions and/or significant events occurring after the examination date up to the date of the salutation letter. The Fund has not been examined previously. Beginning with PEJIF's first audit report as of December 31, 2014, to the current examination date, the Fund's assets increased \$9,814,957 from \$1,479,696 to \$11,294,653, liabilities increased \$14,001,406 from \$2,224,179 to \$16,225,585 and statutory surplus decreased \$4,186,449 from \$(744,483) to \$(4,930,932). The examination was conducted at the office of the Fund's Administrator, NIP Management Services, LLC ("NIP"), located at the Fund's main office in Woodbridge, NJ. The conduct of the examination was governed by generally accepted insurance company accounting and examination standards as well as certain procedures formulated by the National Association of Insurance Commissioners ("NAIC") as permitted by the Department. These procedures are found in the 2022 edition of the NAIC Financial Condition Examiners Handbook.

In determining the emphasis to be placed on specific accounts, consideration was given to the Fund's accounting methods, the nature and size of each balance sheet account, their relative importance to solvency, analytical review results, the results of the previous financial condition examination, and the annual audit work performed by **Mercadieu, P.C. ("MPC")**, the Fund's independent certified public accountants. Examiners leveraged off the audit work prepared by MPC, where appropriate. Consideration was allowed for limiting the testing of certain accounts at a point where they were determined to be substantially correct or the account under review was viewed as insignificant and not crucial to the Fund's solvency.

This examination report addresses financial statement accounts showing atypical balances, transactions, or fluctuations. Comments are made on the JIF's loss reserves and those accounts that were determined to be in violation with rules, laws, regulations, or which required explanation.

HISTORY AND KIND OF BUSINESS

The Fund is a pooling of the resources of its constituent member local units for the purpose of providing an efficient and cost-effective plan of risk management both through the pooling of risk among its members and the economies of scale in risk transfer methodologies that the size of the Fund permits. The Fund was established and commenced operations on January 1, 2014, in accordance with Public Law 1983, c.372 of the State of New Jersey, entitled "An Act Concerning Joint Insurance Funds for Local Units of Government," codified as N.J.S.A. 40A:10-1 et seq. The NJDOBI and the New Jersey Department of Community Affairs ("DCA") have been designated by statute as oversight agencies for joint insurance funds and have issued regulations governing the operations of these funds.

The registered agent upon whom process may be served is Jonathan Hall, NIP, having an address at the Fund's main office.

TERRITORY AND PLAN OF OPERATION

The Fund was formed to provide local governing bodies with an economical means of obtaining insurance coverages. The coverage provided includes property, boiler and machinery, automobile liability and physical damage, general liability, public officials liability, employment practices liability, pollution liability, workers' compensation, employers' liability, contractors' equipment, public employees blanket bond, law enforcement liability, cyber liability, non-owned aircraft liability and excess liability.

In accordance with N.J.S.A. 40A:10-40 the Fund is to prepare and maintain a risk management plan. Examiners reviewed the Fund's risk management plan and confirmed that it is in compliance with the requirements of the statute as detailed in N.J.A.C. 11:15-2.6 (e).

Fund Membership

In accordance with Article 2 the Fund's by-laws, any local unit seeking membership in the Fund shall produce a resolution by the governing body to join the Fund and in addition shall submit an application for membership in the Fund on a form acceptable to the Department. The application shall include an executed Indemnity and Trust Agreement which provides that the unit accepts the Fund's by-laws approved and adopted pursuant to N.J.S.A. 40A:10-39.

Applications may be approved by a majority vote of the Fund Commissioners or two-thirds vote of the full authorized membership of the Executive Committee based on the following criteria:

- The applicant's claim history shows safety performance consistent with the Fund's objectives and the applicant's physical location and makeup indicates a prospective likelihood of satisfactory future claim performance.
- The Fund has the administrative capability to absorb additional memberships.

Within 15 days of its approval by the Fund, the executed Indemnity and Trust Agreement, and the resolution by the Fund Commissioners, shall be filed with the Department and the DCA accompanied by amendments to the Fund's Budget Plan and Plan of Risk Management along with any other documents required pursuant to N.J.A.C. 11:15-2 et. seq.

If an applicant is not approved for membership, the Fund shall set forth in writing the reasons for disapproval and send the declination information to the applicant.

Members can renew their participation by execution of a new resolution/ordinance to join the Fund 90 days prior to the expiration of their term. The Fund Commissioners or Executive Committee must act upon any renewal application no later than 45 days prior to the expiration of the term period or renewal applications are considered approved.

A member must remain in the Fund for a minimum of three years unless terminated by a majority vote of the Fund Commissioners or two thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after receiving written notice to comply with the Fund's by-laws, risk management or underwriting standards, or other reasons approved by the Commissioner of Banking and Insurance as reasons for termination.

The Fund is required to provide by registered mail a written notice to the member of its intention to terminate the member in 30 days. This notice is to be filed with the NJDOBI as well as the DCA.

The following is a listing of the members of the Fund as of December 31, 2022:

	<u>Municipality</u>	<u>Date Joined</u>
1	City Passaic	1/1/2014
2	City Perth Amboy	1/1/2014
3	City Plainfield	1/1/2014
4	Town of West New York	1/1/2014
5	Borough of Roselle	5/1/2014
6	City of East Orange	9/1/2014
7	Township of Teaneck	1/1/2015
8	City of Orange	3/1/2016

Fund Professionals

In accordance with Article 3 of the Fund's by-laws, as soon as possible after the beginning of each year, the Commissioners or Executive Committee shall meet and select persons to serve in professional positions and be retained pursuant to the "Local Public Contracts Law." No professional nor any employee, officer or director, or beneficial owner thereof, shall be a Fund Commissioner. The following is a listing of the appointed professionals serving as of December 31, 2022:

Executive Director: NIP Group, Inc – The Executive Director is an employee of NIP Group, Inc. The Administrator shall act as the Executive Director of the Fund and be experienced in risk management matters and self- funded entities.

The Executive Director will execute the following duties and responsibilities:

- Carry out the policies established by the Commissioners and to otherwise supervise the management of the Fund.
- Advise the Commissioners on risk management matters and shall prepare a draft Risk Management Plan.
- Prepare the Fund's budget, compile, and bill assessments.
- Maintain underwriting files; prepare new members' submissions for review of the Commissioners.

- Prepare draft requests for proposals for service to be provided by servicing organizations and monitor the performance of the service companies.
- Prepare filings required by state regulations.
- Coordinate the Fund's meeting agenda, minutes, elections, contracts, and maintain the Fund's official records and office.
- Maintain the Fund's general ledger, accounts payable and receivable function.
- Perform such other duties as provided for by the Fund Commissioners, the Fund by-laws, and the laws and regulations of the State of New Jersey.

The Executive Director/Administrator shall assume overall executive responsibility for the operations of the Fund. He or she shall not be responsible for the errors and omissions of any other servicing organization except as to generally monitor the compliance of said provider with the directives of the Fund Commissioners, its Service Provider contract, or the applicable statutes and regulations as to the form and timeliness of said undertaking. For example, the Executive Director shall be responsible to verify the issuance of excess or reinsurance policies, and the timely receipt of said policies by the Fund. However, the Executive Director shall not be responsible for the content of the policies or the adequacy of the coverage.

Fund Treasurer: Patrick J. DeBlasio – The Treasurer must be a Certified Municipal Finance Officer. The Treasurer will execute the following duties and responsibilities:

- Be the Custodian of the Fund's assets and shall maintain the various trust funds.
- Approve all the Fund's receipts, disbursements, and financial records.
- Draft the cash management plan and invest all balances.
- Ascertain availability of sufficient unencumbered funds in any account to fully pay all charges or commitments prior to any payment or commitment.
- Perform such other duties as provided for by the Fund Commissioners/Executive Committee, pursuant to the Fund's by-laws and applicable laws and regulations of the State of New Jersey.

The Treasurer must be covered by a fidelity bond protecting the Fund's assets in a form, and amount to be determined annually by the Commissioners/Executive Committee. The cost of the bond is to be paid by the Fund.

Fund Safety Director: NIP – The Safety Director has the following duties and responsibilities:

- Conduct a Risk Management Assessment through interviews, review of records and on-site inspections, to assess operational, administrative, behavioral, and managerial systems as they relate to accident prevention and loss control.

- Conduct an Industrial Hygiene Assessment: including identification of dangerous occupational exposures to noise, chemicals, air contaminants, heat stress, and other environmental hazards.
- Conduct Ergonomic Risk Assessment: including evaluations for cumulative trauma disorders for an entire operation or selected tasks, jobs, workstations, or worksites.
- Coordinate all safety and loss control programs and practices with the Fund Safety Committee and report the status of same to the Committee monthly.
- Perform such other safety and loss control duties as shall be directed by the Fund Commissioners or required by law.

Fund Auditor: MPC – The auditor shall be an independent Certified Public Accountant or a Registered Municipal Accountant who has evidenced the ability and experience to properly examine a joint insurance fund. The auditor shall conduct the annual audit of the Fund in accordance with N.J.S.A. 40A:10-36, and N.J.A.C. 11:15-2.24, and shall perform such other duties as provided for by the Fund Commissioners/Executive Committee, the Fund's by-laws and the laws and regulations of the State of New Jersey.

Fund Attorney: Pringle Quinn Anzano, P.C. – The Fund Attorney shall be admitted to the New Jersey Bar and shall provide legal counsel concerning the Fund Commissioners obligations and responsibilities pursuant to N.J.S.A. 40A:10-36, *et seq.*, and other pertinent law such as the Open Public Meetings Act.

The Attorney has the following duties and responsibilities:

- The Attorney advises the Fund on the appropriateness of claim settlements recommended by the Claims Administrator.
- The Attorney advises the Commissioners on the selection of counsel to represent the Fund in the defense of claims.
- The Fund's Attorney may also provide representation with respects to incidental aspects of claim matters where it is more expeditious and cost effective to do so.
- However, the Attorney or any member of the Attorney's law firm shall not defend claims that are the responsibility of the Fund without the authorization of the Commissioners.
- The Attorney shall perform such other duties as provided for by the Fund Commissioners, the by-laws, and the laws and regulations of the State of New Jersey.

Fund Actuary: Milliman –. The Actuary shall certify the actuarial soundness of the Fund and shall report to the Fund Commissioners in a manner and at such times established by them. The Actuary shall provide such actuarial reports as required by the Department. The Actuary shall certify claim reserves, reserves for "Incurred but Not Reported" ("IBNR") losses, and unearned assessments and shall comment on the adequacy of the budget.

The Fund allows each member to retain their own TPA for day-to-day Claims Administration for most lines of coverage. The Fund has contracted with NIP to provide management and oversight of the member selected TPAs, ensuring adherence with claims reserving and litigation management best practices, as well as day-to-day Claims Administration for Public Officials, Employment Practices and Law Enforcement Liability claims.

Other Fund Professions serving on December 31, 2022, were as follows:

<u>Professional</u>	<u>Services Provided</u>
BGIA	Underwriting Management/ Insurance Brokerage
Princeton Public Affairs Group, Inc.	Governmental Affairs Consultancy
SLC Management, dba Prime Advisors	Investment Advise
Rutgers/UMDNJ	Employee Assistance

MANAGEMENT AND CONTROL

In accordance with Article 3 of the Fund's by-laws, each member shall appoint one commissioner to the Fund. Each member shall select either a member of its governing body or one of its municipal employees. In addition, each member may appoint one alternate to attend either regular or special meetings on behalf of the local unit in the absence of the Fund Commissioner. The alternate shall exercise the full power and authority of the Commissioner in his/her absence, including the right to vote. Each member shall select either a member of its governing body or one of its employees. In the event that the number of members is an even number, one additional commissioner and an alternate to the Special Commissioner shall be appointed annually by a member on a rotating basis determined alphabetically.

All terms of office shall expire on January 1st or until a successor is duly appointed and qualified. A commissioner, other than the Special Commissioner, who is a member of the appointing member's governing body, shall hold office for two years or for the remainder of his/her term of office as a member of the governing body, whichever shall be less. Commissioners who are employees of the appointing members shall hold office at the pleasure of the local unit and can be removed by the member at any time without cause.

The Fund Commissioners are required, authorized, and empowered to operate the Fund in accordance with the Fund's by-laws and appropriate state laws and regulations. The Fund Commissioners shall determine and establish the Fund's budget, assessments, loss reserves, surplus, limits of coverage, limits of excess reinsurance, coverage documents, refunds, and other financial and operating policies of the Fund.

The following are the commissioners elected and serving at December 31, 2022, and the local unit members they represent:

Commissioners

Solomon Steplight	East Orange
Chris Hartwyk	Orange
Ricardo Fernandez	Passaic
Michael E. Greene	Perth Amboy
Abby Levenson	Plainfield
Kheesha Walls	Roselle
Dean Kazinci	Teaneck
Jonathan Castaneda	West New York

Alternate Commissioners

Adrienne McCall	East Orange
Marty Mayes	Orange
Judith Sanchez	Passaic
Maria Rivera	Perth Amboy
Jill Goldy	Perth Amboy
Lana Carden	Plainfield
Shanel Robinson	Roselle
John Shadanian	Teaneck
Kelly Schweitzer	West New York

Officers

In accordance with Article 3 of the by-laws, as soon as possible after the beginning of each year, Fund Commissioners shall meet to elect the officers of the Fund from its own membership. Fund officers shall serve until January 1st of the following year, or until a successor is duly elected and qualified.

The Chairperson shall preside at all meetings of the Commissioners and shall perform those duties provided for in the by-laws and the laws and regulations of the State of New Jersey.

The Secretary shall serve as Acting Chairperson in the absence of the Chairperson and shall perform those duties as provided for in the by-laws and the laws and regulations of the State of New Jersey.

In the event of a vacancy in any of the officer positions caused by other than the expiration of the term of office, the Commissioners or Executive Committee may, by majority of vote, fill the vacancy for the unexpired term. In the event of a vacancy of both the Chairperson and Secretary, the longest serving member of the Executive Committee, or otherwise the longest serving commissioner shall serve as Acting Chairperson until the vacancies are filled.

Officers serving the Fund as of December 31, 2022, were as follows:

Chair	Ricardo Fernandez
Secretary	Maria Rivera

Committees

In accordance with Article 3 of the by-laws, as soon as possible after the beginning of the year the Fund Commissioners and special Fund Commissioner, if any, shall meet and elect five of their number to serve with the Chairperson and the Secretary as the Executive Committee of the Fund. Commissioners may also appoint one alternate to attend either regular or special meetings on behalf of the local unit in the absence of the commissioner. During their term of office, members of the Executive Committee shall exercise the full power and authority of the commissioners except as otherwise provided. The Executive Committee shall serve until January 1st of the following year or until their successors are duly elected and qualified. The following are the elected commissioners serving at December 31, 2022:

Executive Committee

Ricardo Fernandez, Chair
Maria Rivera, Secretary
Chris Hartwyk, Alternate
Michael Green
Ron West
Rick Smiley
Dean Kazinci
Jonathan Castaneda

The JIF is in compliance with N.J.S.A. 40A:10-37 concerning the required numbers of commissioners that can be members of the Executive Committee.

Disclosure Statements

Fund commissioners are required to annually file a Financial Disclosure Statement (FDS) with the Local Finance Board pursuant to N.J.S.A. 40A:9-22.6. A review of FDSs submitted by the JIF as of the examination date indicated that all commissioners filed these statements in compliance with the statute.

Board Meetings

Minutes of meetings held by the Fund commissioners revealed adequate approval of the Fund's transactions and events. The JIF's adherence to its by-laws was validated without exceptions.

Fidelity Bond Coverage

The JIF has bonded the entire organization for crime and employee theft/forgery coverage with a per occurrence limit of \$500,000. This amount meets the NAIC suggested minimum as determined by the examiners' calculation. The Fund is in compliance with N.J.A.C. 11:15-2.6, paragraph (c),

which requires a property and liability joint insurance fund to maintain fidelity, surety, and errors and omissions coverage for persons handling fund assets, claims, or in the position to negotiate excess insurance or reinsurance contracts, respectively.

EXCESS INSURANCE COVERAGE

Excess insurance agreements were reviewed to ensure contracts had acceptable clauses and conditions. Below is a summary of the Fund's excess reinsurance program with their respective coverage limitations. Self-Insured Retention ("SIR") exhibits are on file with the Administrator's office.

Workers Compensation

- Workers' Compensation - statutory inclusive of member deductible/SIR. The minimum Fund retention is \$750,000 inclusive of member deductible/SIR.
- Employment Practice - \$15,500,000 inclusive of member deductible/SIR. The minimum Fund retention is \$750,000 inclusive of member deductible/SIR.
- USL&H - included in Workers' Compensation for damages arising out of NJ State Law.
- Maritime Coverage / Jones Act - included in Employment Practice.

General Liability

The PEJIF covers \$15,500,000 per occurrence, subject to a \$15,500,000 annual aggregate limit per member inclusive of member deductible/SIR. Includes Sexual Abuse & Molestation Liability. The minimum Fund retention is \$500,000 inclusive of member deductible/SIR.

Auto Liability

The PEJIF covers \$15,500,000 any one occurrence inclusive of member deductible/SIR. The minimum Fund retention is \$500,000 inclusive of member deductible/SIR, subject to the following sublimits:

- Automobile Medical Payments - \$5,000 for each insured.
- Uninsured Motorists/Underinsured Motorists - minimum coverage amounts of \$15,000 for single person injuries, \$30,000 for injuries of all persons involved in an accident, and \$5,000 for property damage.
- No Fault Insurance (PIP) - NJ minimum statutory limits.

Public Officials Liability (POL)

The PEJIF covers \$15,500,000 per occurrence and in the aggregate on a claims-made basis per member for each Fund year, inclusive of member deductible/SIR and coinsurance payments.

Coverage includes:

- a. Errors & Omissions
- b. Employment Practices Liability
- c. Sexual Harassment Liability

The minimum Fund retention for POL is \$500,000, inclusive of member deductible / SIR / coinsurance.

Employee Benefits Liability

The PEJIF covers \$15,500,000 per claim, or in the aggregate per member per Fund year with a minimum retention of \$500,000 inclusive of member deductible/SIR/coinsurance. Member deductible/SIR is the same as the General Liability deductible /SIR.

Law Enforcement Activities Liability

The PEJIF covers \$15,500,000 per occurrence, and in the aggregate per member, for each Fund year, inclusive of member deductible/SIR/coinsurance. The minimum Fund retention is \$500,000, inclusive of member deductible/SIR.

Property

The PEJIF covers total limits of \$350,000,000 with following sublimits:

- \$25,000,000 (annual aggregate) for the peril of Flood, except \$2,000,000 as respects Zone A and V locations.
- Other sublimits and any member-specific limits are per the excess policy form.

The Fund retention is \$100,000, except as follows:

- Named Windstorm in "high hazard" counties- 1% of total insurable values per unit affected, subject to a minimum of \$100,000 per location affected.
- \$250,000 per occurrence for Flood Zone A and V locations.
- \$250,000 for "Wave Wash" (damage caused by wind-driven waves, typically due to storms).
- Other retentions are as per excess policy form.

Limits, sublimits and Fund retentions are inclusive of member deductible/SIR.

Automobile Physical Damage is included in property limit. The Fund retention is the first \$100,000 of any automobile physical damage loss inclusive of member deductible/SIR.

Vehicles manufactured 10 or more years prior to current membership year, with an original cost new of less than \$50,000, are not covered for physical damage. This exclusion may be waived on a member-by-member basis, subject to underwriting.

Boiler & Machinery

The PEJIF provides coverage with limits of \$100,000, inclusive of member deductible/SIR. Sublimits are per the excess policy form. The minimum retention is \$10,000 plus tiers for larger power and boiler units, from \$50,000 through \$350,000 inclusive of member deductible/SIR.

Crime

The PEJIF provides \$1,000,00 coverage for Employee Dishonesty and related perils with a retention is \$10,000, including the member deductible of \$1,000. The Fund has extended its Crime insurance to include Statutory Position Bonds on file with the insurer, with limits of \$1,000,000. There is no Fund retention or member deductible for this extension. Higher limits are available where required, subject to underwriting acceptance by the insurer.

Non-Owned Aircraft Liability

The PEJIF provides \$5,000,000 per Occurrence and Policy Aggregate. The Fund retention is -0- and there is no member deductible.

Cyber Liability

The PEJIF provides \$3,000,000 annual aggregate per member on most coverages and Fund-wide annual aggregate limit of \$45,000,000. However, Breach Response and Security Breach are sub-limited at \$1,500,000 and \$1,500,000, respectively.

Coverage includes:

- \$4,000,000 Data Network Liability, Security Breach, Regulatory Defense and Penalties, Website Media Content Liability, PCI Fines.
- \$1,500,000 Cyber Extortion.
- \$1,500,000 Data Recovery Costs, and First Party Coverages (Business Interruption System Failure).
- \$1,000,000 Dependent Business Security Breach.
- \$1,500,000 Dependent Business System Failure.
- \$200,000. Crime includes Fraudulent Instruction at \$150,000, Funds Transfer Fraud at \$150,000, Telephone Fraud at \$150,000 and Criminal Reward at \$25,000.

The Fund retention is \$50,000 per claim for each member with total insured property value (TIV) up to \$250,000,000 and \$100,000 per claim for each member with total insured property value (TIV) between \$250,000,000 and \$750,000,000. Member deductible is \$25,000 per claim.

Disaster Management Services Insurance

The PEJIF has purchased an insurance-backed service contract to a maximum cost of \$10,000,000 per occurrence subject to an annual aggregate maximum cost (Fund-wide) of \$20,000,000. The cost of the services is insured and there is no member deductible or Fund retention.

Site Pollution Liability

The PEJIF has made available separate optional Pollution Liability insurance outside of the Fund budget, for participating members, with limits of \$1,000,000 per Pollution Incident, \$2,000,000 per member Aggregate Limit and \$3,000,000 Policy Aggregate Limit, subject to a member deductible of \$25,000 per Incident. There is no Fund retention.

Underground Storage Tank Liability

Available to members on an optional basis outside of the Fund budget, subject to underwriters' acceptance, with limits (per NJS requirements) of \$1,000,000 per Incident and \$2,000,000 Incident. There is an Aggregate Limit and Legal Defenses Aggregate Limit of \$1,000,000 subject to a member deductible. The Fund is not party to this insurance and there is no Fund retention.

Hull and Machinery

The PEJIF has purchased, outside of the Fund budget, coverage for participating members, with limits per a Schedule of Vessels, subject to a member deductible per scheduled Vessel. There is no Fund retention.

FINANCIAL STATEMENTS

Financial Exhibits have been prepared based on the annual audit reports produced by MPC and filed by PEJIF with the NJDOBI in accordance with N.J.S.A. 40A:10-46. These statements, which were prepared consistent with generally accepted insurance accounting principles applicable to governmental units, are summarized below and furnished in the next two pages.

Exhibit-A Statutory Balance Sheet
 as of December 31, 2022

Exhibit-B Statutory Income Statement
 as of December 31, 2022

EXHIBIT-A: Statutory Balance Sheet

As of December 31, 2022

	<u>Per Examination</u> <u>12/31/22</u>	<u>Per Fund</u> <u>12/31/22</u>	<u>Examination</u> <u>Change</u>	<u>Note</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 127,932	\$ 127,932	\$ -	
Investments	746,774	746,774	-	
Recoverables Recorded Not Billed	1,524,501	1,524,501	-	
Assessments Receivable	7,661,462	7,661,462	-	1
Accrued Interest	4,977	4,977	-	
Prepaid Expenses	1,204,723	1,204,723	-	
Other Assets	24,284	24,284	-	
Total Assets	\$ 11,294,653	\$ 11,294,653	\$ -	
<u>Liabilities</u>				
Case Reserves	\$ 7,810,643	\$ 7,810,643	\$ -	2
IBNR Reserves	7,141,264	7,141,264	-	2
Claims Payable	1,219,930	1,219,930	-	
Accrued Expenses	53,748	53,748	-	
Total Liabilities	\$ 16,225,585	\$ 16,225,585	\$ -	
<u>Net Position</u>				
Statutory Surplus - Unrestricted	\$ (4,930,932)	\$ (4,930,932)	\$ -	3
Total Net Position	\$ (4,930,932)	\$ (4,930,932)	\$ -	

EXHIBIT-B: Statutory Income Statement

As of December 31, 2022

	<u>Per Examination</u> <u>12/31/22</u>	<u>Per Fund</u> <u>12/31/22</u>
<u>Operating Revenue</u>		
Regular Assessments	\$ 9,706,350	\$ 9,706,350
Supplemental Assessments	7,831,039	7,831,039
Total Operating Revenue	\$ 17,537,389	\$ 17,537,389
<u>Operating Expenses</u>		
Provision for Claims & Claim Adj. Expense	\$ 7,142,077	\$ 7,142,077
Excess Insurance Premiums	5,751,807	5,751,807
Administrative Expenses	2,336,502	2,336,502
Total Operating Expenses	\$ 15,230,386	\$ 15,230,386
Operating Income	\$ 2,307,003	\$ 2,307,003
<u>Non-Operating Revenue</u>		
Net Investment Income	\$ 6,726	\$ 6,726
Total Non-Operating Revenue	\$ 6,726	\$ 6,726
Change in Net Position	\$ 2,313,729	\$ 2,313,729
Net Position - Beginning of Year	(7,244,661)	(7,244,661)
Less: Distribution to Participating Members	-	-
Net Position - End of Year	\$ (4,930,932)	\$ (4,930,932)

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Assessments Receivable

In 2022, the Fund authorized supplemental assessments to all members totaling \$7,244,644 based on fund years 2014 through 2020 due to its deficit status in accordance with the Fund's by-laws and applicable statutes and regulations. The Fund also authorized retrospective rating plan assessments totaling \$586,375 to certain members who elected a retrospective loss experience ratings plan.

Note 2 - IBNR and Case Reserves

A review by the NJDOBI Actuarial Unit indicated the reserves established by the Fund were reasonably stated. Data supporting the Fund's actuarial calculation was reconciled to supporting records. Random samples of case reserves and loss payments were selected and verified to source documents.

Note 3 - Statutory Surplus

As of December 31, 2022, the JIF's Statutory Surplus (or Net Position) was reported as a deficit of (\$4,930,932) compared to a deficit of (\$7,244,661) as of December 31, 2021. The Fund states that it will liquidate any deficit in a net position year by transferring from another net position year or by assessing members for additional contributions, in accordance with applicable New Jersey statutes and regulations. See *Subsequent Events* section below.

SUBSEQUENT EVENTS

Fund Membership

There were no new members added to or exiting the Fund during the subsequent period. PEJIF had eight members as of December 31, 2023, reflecting the same members as of the exam date.

Supplemental Assessments

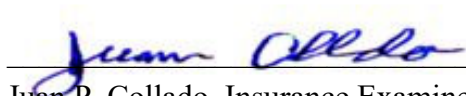
In 2022, the Fund authorized supplemental assessments to all members totaling \$7,244,644 based on fund years 2014 through 2020 due to their deficit status, to be received in accordance with a five-year installment plan. In 2023, the Fund Administrator recommended amending the prior supplemental assessment levied on fund years 2014-2020 to include fund years 2021 and 2022. The amended supplemental assessment was approved by the Board of Fund Commissioners in their December 2023 meeting resulting in the revised total supplemental assessment in the amount of \$13,670,234, payable over a nine-year installment plan. In 2022, the Fund also authorized retrospective rating plan assessments totaling \$586,375 to certain members who elected a retrospective loss experience ratings plan. In 2023, additional retrospective rating plan assessments were authorized totaling \$1,794,686. Special assessment revenue recognized due to these assessments totaled \$8,220,257 and \$7,831,039 in 2023 and 2022, respectively. As of December 31, 2023, and 2022, assessments receivable were \$13,229,801 and \$7,661,462, respectively. Cash on hand at year-end 2023 was \$1,693,531, a differential increase of \$1,565,599 when compared to year-end 2022.

CONCLUSION

The statutory examination was conducted remotely and onsite by the undersigned with the assistance of the NJDOBI field and office staff. Tests and analyses applied to the foregoing report items, which included verification of the Independent Audit Report completed by the JIF's Certified Public Accountants for the financial position of the Fund as of December 31, 2022, did not yield any reportable recommendations.

The courteous cooperation and assistance extended during the course of this examination by the officers and employees of the Fund is acknowledged.

Respectfully submitted,



Juan P. Collado, Insurance Examiner 1
Examiner-In-Charge, NJDOBI