

Morris Essex Insurance Group
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012
Westwood, New Jersey

MORRIS ESSEX INSURANCE GROUP
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JUNE 30, 2012

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INTRODUCTORY SECTION

Morris Essex Insurance Group

*Office of the
Executive Director
Phone (201) 664-0310
Fax (201) 664-0107*

*44 Bergen Street
PO Box 270
Westwood, NJ 07675*

October 29, 2012

Board of Trustees
Morris Essex Insurance Group
Westwood, New Jersey

Dear Board of Trustees:

The Comprehensive Annual Financial Report ("CAFR") of the Morris Essex Insurance Group (the "Pool") for the fiscal year ended June 30, 2012 is hereby respectfully submitted. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Pool. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the basic financial statement and results of the operations of the Pool as measured by the financial activity of its various membership years; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Pool's financial affairs have been included.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section contains this transmittal letter, a list of the Pool's members, a list of the Pool's officers and an organizational chart. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the Pool's financial position and operating results and supplementary schedules. State schedules are provided pursuant to the specifications of the New Jersey Department of Banking and Insurance, which along with the Department of Community Affairs, exercises regulatory control over the Pool. The statistical section includes selected data covering the last ten years that the Pool has been operational.

The Pool was formed under State statutes which authorize local government entities to pool resources to obtain low-cost insurance coverage. Specifically, the Pool is a public entity risk sharing pool in which school districts have joined together to administer a program of self funding and reinsurance to provide protection to members primarily in the area of workers' compensation coverage. Activities performed by the Pool include contracting for claims management, actuarial services, financial management and reporting, and general administration of the entity.

Financial Management and Control

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts based upon reliable estimates and judgments. The Pool's books are maintained on a full accrual basis. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

Board of Trustees
Morris Essex Insurance Group
Page 2
October 29, 2012

Internal Control Structure

The Pool's accounting system is organized so that each membership year, and line of coverage within each year, can be evaluated separately. The assets, liabilities, revenue and expenses of each year and line of coverage are maintained separately on a full accrual basis. This practice is necessary because the composition of the Pool's membership could vary from year to year.

The Pool's management is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal accounting controls are designed to provide reasonable assurance that these objectives are being met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. All internal control decisions are made within the above framework. Management believes that the Pool's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Investment Management

Pool investments are made in accordance with the Local Fiscal Affairs Law and the Pool's Cash and Investment Management Plan. Investments for the year were limited to deposits in banks covered by the Governmental Unit Depository Protection Act, money market accounts and treasury bills invested in MBIA and deposits in the New Jersey Cash Management Fund, which is administered by the State of New Jersey's Division of Investments for the Pool. In planning and executing investments, the Pool emphasizes liquidity and safety. After these objectives are met, the Pool seeks to optimize investment income.

Independent Audit

Nisivoccia LLP, independent accountants, provides an independent, objective review of the fairness of the Pool's reported financial position and results of operations. Their audit includes procedures they deem necessary to express an opinion as to the fairness of the financial statements. Their independent auditors' report is included in the financial section of this report.

Acknowledgments

Our sincere appreciation is expressed to the members of the Pool's Board of Trustees for the leadership they provided in the Pool's financial reporting.

Respectfully submitted,

Robert C. Kanwisher

Robert C. Kanwisher, Executive Director

Jonathan Rheinhardt

Jonathan Rheinhardt, Treasurer

MORRIS ESSEX INSURANCE GROUP
ROSTER OF OFFICERS AND PROFESSIONALS
JUNE 30, 2012

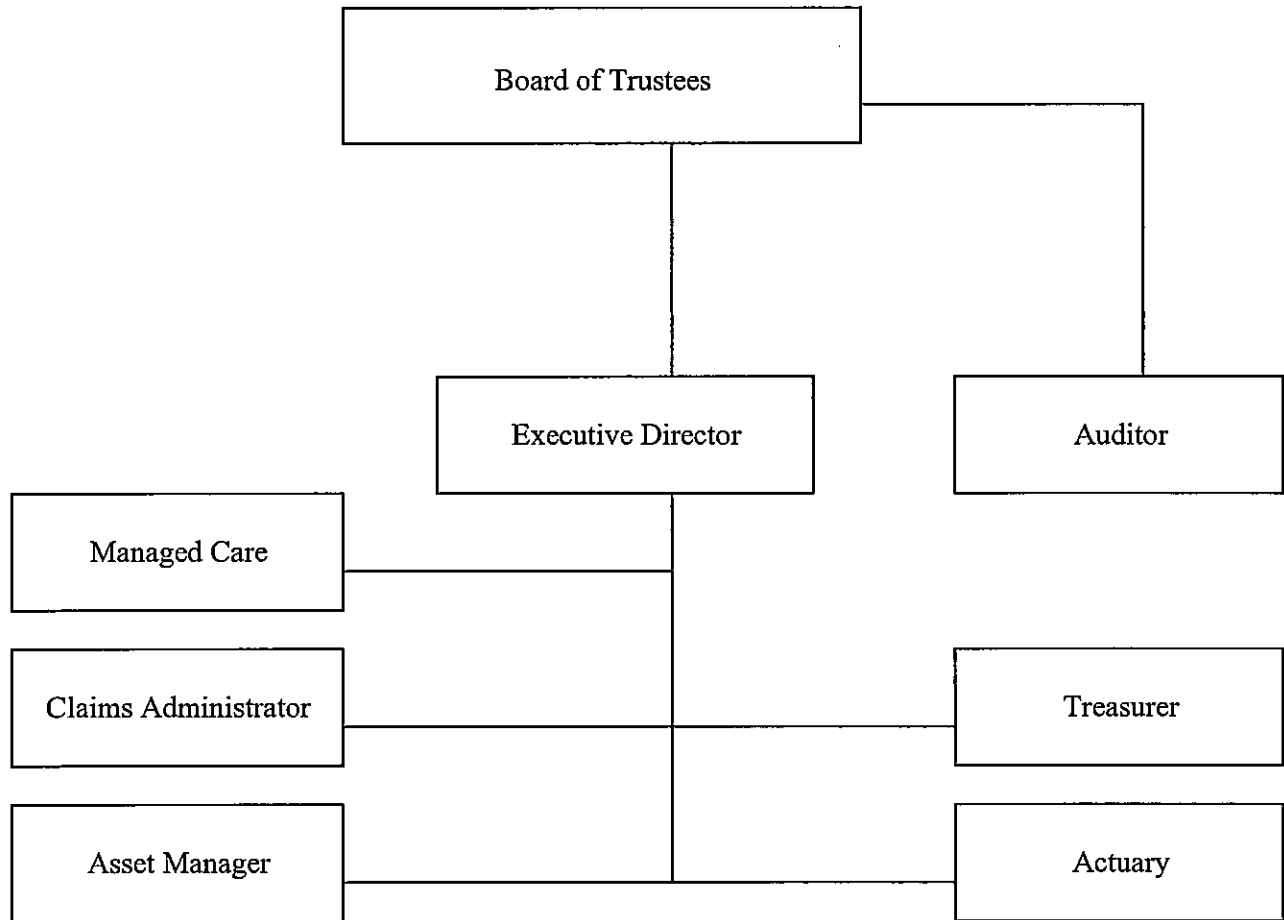
Members of the Board of Trustees

Cheryl Nardino, Chairperson	Verona Board of Education
Catarina Bilotta, Vice Chairperson	Morris County Educational Services Commission
L. Douglas Pechanec, Secretary	West Morris Regional Board of Education
John Esposito, Trustee	Long Hill Township Board of Education
Liz George, Trustee	Washington Township Board of Education
Vanessa Wolsky, Trustee	Hanover Board of Education
Deborah Muscara, Trustee	Mendham Township Board of Education

Robert C. Kanwisher, Burton Agency, Inc.	Executive Director
Jonathan Rheinhardt	Treasurer
Nisivoccia LLP	Auditor
O'Neil Consulting Services	Actuary
Inservco, Inc.	Claims Administrator, Safety Management
First MCO	Managed Care

Morris Essex Insurance Group

ORGANIZATIONAL CHART



MORRIS ESSEX INSURANCE GROUP
MEMBERSHIP LISTING
JUNE 30, 2012

Member School District

Hanover Township Board of Education
Long Hill Township Board of Education
Mendham Township Board of Education
Morris County Educational Services Commission
Verona Board of Education
West Morris Regional Board of Education

Trustees

Vanessa Wolsky
John Esposito
Debra Muscara
Catarina Bilotta
Cheryl Nardino
L. Douglas Pechanec

Dover Board of Education
Glen Ridge Board of Education
Madison Board of Education
Mine Hill Board of Education
Morris County School of Technology
Morris Plains Board of Education
Mount Arlington Board of Education
Mountain Lakes Board of Education
North Caldwell Board of Education
Roseland Board of Education
Washington Township Board of Education
West Essex Regional Board of Education

Representatives

Catherine Jenisch
Peter Caprio
Gary Lane
Ruth Ann Quinn
Susan Young
Kristin Kosky
Joe Kelly
Daniel Borgo
Wayne Demikoff
Joseph Bellino
Liz George
Michael Falkowski

FINANCIAL SECTION



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200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555

Independent Auditors' Report

Board of Trustees
Morris Essex Insurance Group
Westwood, New Jersey

We have audited the accompanying financial statements of the Morris Essex Insurance Group (the "Pool") as of and for the fiscal years ended June 30, 2012 and 2011 which collectively comprise the Pool's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we audited the IBNR reserves, the financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of June 30, 2012 and 2011, and the changes in financial position and cash flows for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the Pool'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

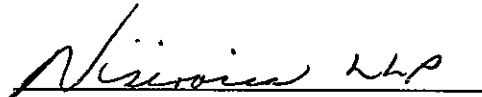
Board of Trustees
Morris Essex Insurance Group
Westwood, New Jersey
Page 2

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the accompanying Comparative Reconciliation of Claims Liabilities by Fund and Ten-Year Claims Development Information Schedules be presented to supplement the basic financial statements. Such information, although not as 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements as a whole. The supplementary data is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary data schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on them.

Mount Arlington, New Jersey
October 29, 2012


NISIVOCCIA LLP

Morris Essex Insurance Group
Management's Discussion and Analysis
(Unaudited)

This section of the annual financial report of the Pool presents a discussion and analysis of the financial performance of the Pool for the fiscal year ended June 30, 2012. Please read it in conjunction with the basic financial statements, the notes, and supplementary schedules that follow this section.

Overview of Basic Financial Statements

The Pool's basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities and insurance enterprises where applicable. The primary purpose of the Pool is to administer a program of self funding and reinsurance to provide protection to members primarily in the area of workers' compensation coverage. The Pool internally maintains separate enterprise funds by incurred years and line of coverage. The basic financial statements are presented on an accrual basis of accounting. The three basic financial statements presented are as follows:

Statement of Net Assets – This statement presents information reflecting the Pool's assets, liabilities, and net assets. Net assets represent the amount of total assets less total liabilities.

Statement of Revenue, Expenses, and Changes in Net Assets – This statement reflects the Pool's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net assets for an enterprise fund is similar to net profit or loss for any other insurance company.

Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, investing and non-capital financing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Financial Highlights

The following tables summarize the financial position and results of operations for the Pool as of and for the fiscal years ended June 30, 2012, 2011 and 2010.

Summary Statement of Net Assets

	2012	2011	Increase/ (Decrease) 2011/2012	2010	Increase/ (Decrease) 2010/2011
Assets:					
Cash and Cash Equivalents	\$ 7,680,256	\$ 7,350,175	\$ 330,081	\$ 6,692,062	\$ 658,113
Other Assets	19,181	11,538	7,643	12,805	(1,267)
Total Assets	7,699,437	7,361,713	337,724	6,704,867	656,846
Liabilities:					
Loss Reserves	3,795,186	4,256,258	(461,072)	4,174,604	81,654
Other Liabilities	57,182	56,249	933	49,006	7,243
Total Liabilities	3,852,368	4,312,507	(460,139)	4,223,610	88,897
Net Assets - Unrestricted	\$ 3,847,069	\$ 3,049,206	\$ 797,863	\$ 2,481,257	\$ 567,949

Summary Statement of Revenue, Expenses, and Changes in Net Assets

	2012	2011	Increase/ (Decrease) 2011/2012	2010	Increase/ (Decrease) 2010/2011
Operating Revenue:					
Assessments and Other Income	\$ 2,822,292	\$ 2,876,606	\$ (54,314)	\$ 2,797,718	\$ 78,888
Operating Expenses:					
Provision for Claims and Claim Adjustment Expense	451,649	702,345	(250,696)	1,148,833	(446,488)
Insurance Premiums	753,914	736,312	17,602	689,935	46,377
Professional and Contractual Services	328,194	327,284	910	313,172	14,112
Total Operating Expenses	1,533,757	1,765,941	(232,184)	2,151,940	(385,999)
Operating Income/(Loss)	1,288,535	1,110,665	177,870	645,778	464,887
Investment Income	23,279	49,578	(26,299)	41,500	8,078
Return of Net Assets to Members	(513,951)	(592,294)	78,343	(607,096)	14,802
Increase/(Decrease) in Net Assets	\$ 797,863	\$ 567,949	\$ 229,914	\$ 80,182	\$ 487,767

Net Assets increased primarily due to a decrease in loss reserves related to several old cases closed out during the current year.

Economic Conditions

The Pool will continue to monitor its claims and work with its members via the safety program to minimize the number and severity of claims.

Contacting the Pool's Financial Management

This financial report is designed to provide the Pool's members, oversight entities and creditors with a general overview of the Pool's finances and to demonstrate the Pool's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director's Office, 44 Bergen Street, PO Box 270, Westwood, New Jersey 07675.

BASIC FINANCIAL STATEMENTS

MORRIS ESSEX INSURANCE GROUP
STATEMENT OF NET ASSETS

	June 30,	
	2012	2011
<u>ASSETS:</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 7,680,256	\$ 7,350,175
Assessments Receivable		486
Reinsurance Receivable	19,181	11,052
	<u>7,699,437</u>	<u>7,361,713</u>
Total Assets		
	<u>7,699,437</u>	<u>7,361,713</u>
 <u>LIABILITIES:</u>		
Current Liabilities:		
Accounts Payable - Vendors	33,900	52,967
Accrued Expenses- Other Governments	20,000	
Net Assets Distribution Payable to Participating Members	3,282	3,282
Loss Reserves	3,795,186	4,256,258
	<u>3,852,368</u>	<u>4,312,507</u>
Total Liabilities		
	<u>3,852,368</u>	<u>4,312,507</u>
 <u>NET ASSETS:</u>		
Unrestricted	3,847,069	3,049,206
	<u>3,847,069</u>	<u>3,049,206</u>
Total Net Assets	<u>\$ 3,847,069</u>	<u>\$ 3,049,206</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MORRIS ESSEX INSURANCE GROUP
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2012	2011
Operating Revenue:		
Assessments from Participating School Districts	\$ 2,822,292	\$ 2,876,606
Total Operating Revenue	2,822,292	2,876,606
Operating Expenses:		
Provisions for Claims and Claim Adjustment Expense (Net of Reinsurance of \$30,291 and \$2,801 for 2012 and 2011, respectively)	451,649	702,345
Insurance Premiums	753,914	736,312
Professional Fees	143,593	140,179
Administrative Expenses	9,646	13,618
Claims Administrative Fees	174,955	173,487
Total Operating Expenses	1,533,757	1,765,941
Operating Income	1,288,535	1,110,665
Non-Operating Revenue:		
Investment Income	23,279	49,578
Change in Net Assets before Other Revenue, Expenses, Gains, Losses and Transfers	1,311,814	1,160,243
Return of Net Assets to Members	(513,951)	(592,294)
Change in Net Assets	797,863	567,949
Net Assets - Beginning of Year	3,049,206	2,481,257
Net Assets - End of Year	\$ 3,847,069	\$ 3,049,206

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MORRIS ESSEX INSURANCE GROUP
STATEMENT OF CASH FLOWS

	Year Ended June 30,	
	2012	2011
Cash Flows from Operating Activities:		
Assessments Collected	\$ 2,822,778	\$ 2,876,120
Insurance Premiums Paid	(753,914)	(736,312)
Claims Paid	(912,721)	(620,691)
General and Administrative Expenses Paid	(355,390)	(318,288)
Net Cash Provided by Operating Activities	800,753	1,200,829
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	23,279	49,578
Net Cash Provided by/(Used for) Investing Activities	23,279	49,578
Cash Flows from Noncapital Financing Activities:		
Net Assets Distribution to Participating Members	(513,951)	(592,294)
Net Cash Used for Noncapital Financing Activities	(513,951)	(592,294)
Net Increase/(Decrease) in Cash and Cash Equivalents	310,081	658,113
Cash and Cash Equivalents - Beginning of Year	7,350,175	6,692,062
Cash and Cash Equivalents - End of Year	\$ 7,660,256	\$ 7,350,175
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Operating Income/(Loss)	\$ 1,288,535	\$ 1,110,665
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assessment Receivable	486	(486)
(Increase)/Decrease in Reinsurance Receivable	(8,129)	1,753
Increase/(Decrease) in Accounts Payable	(19,067)	7,243
Increase/(Decrease) in Loss Reserves	(461,072)	81,654
Net Cash Provided by Operating Activities	\$ 800,753	\$ 1,200,829

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: NATURE OF OPERATIONS

The Morris Essex Insurance Group (the "Pool") was created on February 9, 1984, in accordance with P.L. 1983, C.1372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 18B of Title 18A of the New Jersey statutes." The Pool is both an insured and self-administered workers' compensation liability pool established for the purpose of providing low-cost insurance coverage for the member school districts. At June 30, 2012, the Pool had 18 members.

The Board of Trustees or the participating school districts may amend or terminate the Pool by a two-thirds vote. Upon termination, the Pool shall pay to the participants all benefits and net assets they are entitled to receive except for an amount set aside as a "Termination Reserve Fund". After all claims are satisfied, the remaining funds will also be distributed to the participants. Any New Jersey school board may apply in writing for membership provided it agrees to comply with the standards for membership as established by the Pool. A member may terminate participation in the Pool upon giving thirty days written notice to the Trustees or Administrator, however, the member shall remain liable for any unpaid assessments which shall have accrued prior to its termination.

Pool members are subject to supplemental assessments in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. The Pool considers anticipated investment income when determining if a deficiency exists.

The Executive Director/Administrator is responsible for the overall administration of the Pool. Fees paid to the Executive Director encompass all administrative duties. Accordingly, the Pool does not maintain any fixed assets or incur any payroll expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Pool's accounting policies are described below.

Reporting Entity

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" 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. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Pool over which the Pool exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Pool is not includable in any other reporting entity on the basis of such criteria.

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Accounting

The Pool utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Pool utilizes total economic resources as their measurement focus. Operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the Pool. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Pool gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings. The Pool applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Investments

Effective January 1, 1999, the Pool adopted GASB No.31, "Accounting and Financial Reporting For Certain Investments and for External Investment Pools". This statement requires the Pool to record certain investments at fair value and record the unrealized gains and losses as a part of investment income.

Income Taxes

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

Assessments

The assessments of the participating school districts are determined and certified by the Trustees with assistance from the Pool's actuary.

The by-laws also provide that should the Trustees find the payments received by the Pool are deficient, based on an opinion from the Pool's Administrator, additional assessments may be levied.

Unpaid Claims Liabilities

The Pool 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 workers compensation. Claims liabilities are recomputed periodically using a variety of actuarial

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unpaid Claims Liabilities (Cont'd)

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. The Pool does not discount estimated claim liabilities. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. Amounts shown as negative loss reserves in Note 3, if any, represent payments to the claims servicing agent in excess of claims paid and case reserves on the Pool's loss runs. These amounts, if any, are shown on the balance sheet as accounts receivable.

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

Reinsurance

The Pool 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 Pool as direct insurer of the risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Reinsurance premiums amounted to \$229,115 and \$223,492 for the years ended June 30, 2012 and 2011, respectively. The amount deducted from claims liabilities for reinsurance was \$205,751 and \$191,880 for the years ended June 30, 2012 and 2011, respectively.

NOTE 3: LOSS RESERVES

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of June 30, 2012. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Pool, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Pool'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 unpaid losses are stated net of any recoveries from excess-loss insurance.

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 3: LOSS RESERVES (Cont'd)

The Pool has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Pool has not received notices or reports of losses. Amounts shown as negative loss reserves, if any, represent payments to claims servicing agent in excess of claims paid and case reserves on the Pool's loss runs. These amounts, if any, are shown on the balance sheets as accounts receivable. Loss reserves, at June 30, 2012 and 2011, which have been estimated by the Pool's Actuary and Servicing Agent, are as follows:

	<u>2012</u>	<u>2011</u>
Case Reserves	\$ 1,683,750	\$ 1,758,938
Losses Incurred but not Reported	<u>2,111,436</u>	<u>2,497,320</u>
Total Loss Reserves	<u>\$ 3,795,186</u>	<u>\$ 4,256,258</u>

The following represents changes in the aggregate reserves for the Fund:

	<u>2012</u>	<u>2011</u>
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 4,256,258</u>	<u>\$ 4,174,604</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	1,100,225	1,300,000
(Decrease)/Increase in Provision for Insured Events of Prior Years	<u>(648,576)</u>	<u>(597,655)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>451,649</u>	<u>702,345</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	205,394	181,894
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	<u>707,327</u>	<u>438,797</u>
Total Payments	<u>912,721</u>	<u>620,691</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 3,795,186</u>	<u>\$ 4,256,258</u>

A contingent liability exists with respect to reinsurance coverage which would become an actual liability in the event the reinsuring company might be unable to meet it's obligations to the Pool under existing reinsurance agreements.

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk* requires disclosure of the level of custodial credit risk assumed by the Pool in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the Pool ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Pool limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below.

Deposits:

New Jersey statutes requires that the Pool deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. The Pool is also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Pool to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

NOTE 4: CASH AND CASH EQUIVALENTS (Cont'd)

Investments (Cont'd):

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of local units or bonds or other obligations of school districts of which the local units are part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund; or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2012 and 2011, cash and cash equivalents of the Morris Essex Insurance Group consisted of the following:

	<u>2012</u>	<u>2011</u>
Checking	\$ 7,610,210	\$ 7,280,160
New Jersey Cash Management	<u>70,046</u>	<u>70,015</u>
	<u>\$ 7,680,256</u>	<u>\$ 7,350,175</u>

The carrying amount of the Pool's cash at June 30, 2012 was \$7,680,256 and the bank balance was \$8,048,900. The carrying amount of the Pool's cash at June 30, 2011 was \$7,350,175 and the bank balance was \$7,726,659. The New Jersey Cash Management funds are unregistered and uninsured.

MORRIS ESSEX INSURANCE GROUP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012
(Continued)

NOTE 5: NET ASSETS

The State of New Jersey has no statutory minimum net assets requirements. The Pool has individual accumulated deficits at June 30, 2012 as follows:

Fund Year 1989 - General Administration	\$ 13
Fund Year 2008 - Worker's Compensation	359

The Pool has no current plans to assess the membership to eliminate this deficit due to the fact that it is immaterial to the financial statements.

NOTE 6: CONTINGENT LIABILITIES

In the normal course of its operations, the Pool has a number of lawsuits filed by claimants in various stages. Although estimated loss reserves have been established by the Pool, a number of these cases may possibly be settled for amounts in excess of the Pool's loss reserves. No provision for these contingencies has been included in the financial statements since the amounts are not reasonably estimable.

NOTE 7: RELATIONSHIP WITH STATE SCHEDULES

The information in the Pool's financial statements differs from the State Schedules listed in the supplementary data section as Schedules A through F. Specifically, the Schedules present historical information from the inception of each fund year.

REQUIRED SUPPLEMENTARY INFORMATION

MORRIS ESSEX INSURANCE GROUP
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE YEARS JUNE 30, 2011 AND 2012
 (Unaudited)

	Worker's Compensation	
	2012	2011
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ 4,256,258	\$ 4,174,604
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	1,100,225	1,300,000
Increase/(Decrease) in Provision for Insured Events of Prior Years	(648,576)	(597,655)
Total Incurred Claims and Claim Adjustment Expenses	451,649	702,345
Payments:		
Claims and Claim Adjustment Expenses Attributable to		
Insured Events of the Current Period	205,394	181,894
Claims and Claim Adjustment Expenses Attributable to		
Insured Events of Prior Years	707,327	438,797
Total Payments	912,721	620,691
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	\$ 3,795,186	\$ 4,256,258

MORRIS ESSEX INSURANCE GROUP
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION
(Unaudited)

	Fiscal Period Ended June 30, 2012 and Policy Period Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Required contribution and investment revenue:										
Earned	\$ 1,395,365	\$ 1,490,936	\$ 1,573,533	\$ 1,907,486	\$ 2,055,867	\$ 2,039,275	\$ 2,662,608	\$ 2,811,393	\$ 2,885,135	\$ 2,824,620
Ceded	144,910	172,021	164,260	162,854	176,724	209,826	634,703	689,935	736,312	753,914
Net Earned	<u>1,250,455</u>	<u>1,318,915</u>	<u>1,409,273</u>	<u>1,744,632</u>	<u>1,879,143</u>	<u>1,829,449</u>	<u>2,027,905</u>	<u>2,121,458</u>	<u>2,148,823</u>	<u>2,070,706</u>
Unallocated expenses	<u>137,155</u>	<u>143,137</u>	<u>151,033</u>	<u>162,863</u>	<u>171,249</u>	<u>172,923</u>	<u>200,880</u>	<u>320,763</u>	<u>325,531</u>	<u>318,194</u>
Estimated claims and expenses, end of policy year										
Incurred	1,000,000	950,001	1,128,693	1,100,000	1,200,002	1,400,001	1,800,000	1,437,333	1,300,000	1,100,225
Ceded										
Net Incurred	<u>1,000,000</u>	<u>950,001</u>	<u>1,128,693</u>	<u>1,100,000</u>	<u>1,200,002</u>	<u>1,400,001</u>	<u>1,800,000</u>	<u>1,437,333</u>	<u>1,300,000</u>	<u>1,100,225</u>
Net paid (cumulative) as of:										
End of policy year	257,223	224,402	202,224	180,860	174,780	253,371	567,385	560,753	181,894	205,394
One year later	327,462	426,988	522,523	346,873	445,059	744,416	785,690	728,448	383,743	
Two years later	455,675	598,269	631,895	414,469	487,013	805,870	884,439	783,849		
Three years later	464,758	692,107	678,858	424,116	530,996	844,963	988,644			
Four years later	492,136	786,812	885,469	512,519	596,982	889,158				
Five years later	494,324	902,438	905,325	543,567	709,608					
Six years later	503,765	908,290	920,434	543,647						
Seven years later	582,967	909,531	1,081,836							
Eight years later	592,150	912,215								
Nine years later	598,399									
Reestimated ceded claims and expenses								61,667		
Reestimated net incurred claims and expenses:										
End of policy year	1,000,000	950,001	1,128,693	1,100,000	1,200,002	1,400,001	1,800,000	1,437,333	1,300,000	1,100,225
One year later	949,999	950,001	1,250,164	1,000,000	1,200,000	1,500,000	1,700,000	1,337,333	1,200,103	
Two years later	898,479	1,098,104	1,249,999	1,000,000	1,200,001	1,499,999	1,600,000	1,140,883		
Three years later	698,381	1,100,000	1,250,000	900,000	1,200,000	1,400,000	1,501,180			
Four years later	698,480	1,100,001	1,249,999	800,000	1,100,000	1,400,359				
Five years later	698,480	950,001	1,250,000	553,567	900,000					
Six years later	698,480	975,000	1,200,000	548,647						
Seven years later	700,001	974,999	1,144,152							
Eight years later	700,000	974,999								
Nine years later	700,000									
Increase/(decrease) in estimated net incurred claims and expense from end of policy year	<u>\$ (300,000)</u>	<u>\$ 24,998</u>	<u>\$ 15,459</u>	<u>\$ (551,353)</u>	<u>\$ (300,002)</u>	<u>\$ 358</u>	<u>\$ (298,820)</u>	<u>\$ (296,450)</u>	<u>\$ (99,897)</u>	<u>\$ -0-</u>

SUPPLEMENTARY DATA

Schedule A

MORRIS ESSEX INSURANCE GROUP
HISTORICAL OPERATING RESULTS ANALYSIS
FUND YEAR - 1985 TO 2012
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 35,486,585		
Supplemental Contributions	1,198,359		
Other Income (except investments)	8,966		
Total Income			\$ 36,693,910
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	15,629,558		
Case Reserves	1,889,500		
Imprest Account Reconciliation			
IBNR Reserve	2,111,436		
Subtotal		\$ 19,630,494	
Less Excess Insurance:			
Received	239,543		
Receivable	19,181		
Recoverable	205,750		
Subtotal		464,474	
Limited Incurred Claims (claims-excess)		19,166,020	
<u>Expenses:</u>			
Excess Insurance Premiums	4,552,866		
Administrative	3,479,537		
Subtotal Expenses		8,032,403	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>27,198,423</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			9,495,487
4. <u>Investment Income (Earned)</u>			<u>3,054,492</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			12,549,979
6. <u>Return of Surplus:</u>			
Paid	8,699,628		
Authorized and Unpaid	3,282		
Subtotal Return of Surplus			<u>8,702,910</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 3,847,069</u>

Schedule B

MORRIS ESSEX INSURANCE GROUP
HISTORICAL BALANCE SHEET
FUND YEAR - 1985 TO 2012
JUNE 30, 2012

1. Assets:

Cash and Investments (1)	\$ 7,680,256		
		\$ 7,680,256	
<u>Receivables (1):</u>			
Excess Insurance	19,181		
Assessments			
Other			
Total Receivables		19,181	
Prepaid Expenses (1)			
Other Assets (1)			
<u>Total Assets</u>			\$ 7,699,437

2. Liabilities:Claims:

Case Reserves	1,683,750		
Imprest Account Reconciliation			
IBNR Reserve (2)	2,111,436		
Subtotal Claims		3,795,186	

Expenses (unpaid) (1):

Excess Insurance			
Administrative	53,900		
Subtotal Expenses		53,900	

Other Liabilities:

Unearned Contributions			
Authorized Return of Surplus	3,282		
Miscellaneous Liabilities (1)			
Subtotal		3,282	

<u>Total Liabilities</u>			3,852,368
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NET CURRENT SURPLUS/(DEFICIT) = 1-2

\$ 3,847,069

Note: (1) Schedule attached itemizing these categories

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 1985

JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	306,235	
Supplemental Contributions		15,777	
Other Income (except investments)		250	
Total Income			\$ 322,262
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		180,539	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 180,539
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			180,539
<u>Expenses:</u>			
Excess Insurance Premiums		29,452	
Administrative		34,767	
Subtotal Expenses			64,219
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>244,758</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			77,504
4. <u>Investment Income (Earned)</u>			<u>30,359</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			107,863
6. <u>Return of Surplus:</u>			
Paid		103,752	
Authorized and Unpaid		2,087	
Subtotal Return of Surplus			<u>105,839</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 2,024</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1986
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	329,572	
Supplemental Contributions		119,404	
Other Income (except investments)		<u>8,513</u>	
Total Income			\$ 457,489
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		362,910	
Case Reserves		144,083	
Imprest Account			
IBNR Reserve			
Subtotal		<u></u>	\$ 506,993
Less Excess Insurance:			
Received		139,550	
Receivable		19,181	
Recoverable		<u>144,083</u>	
Subtotal			<u>302,814</u>
Limited Incurred Claims (claims-excess)			<u>204,179</u>
<u>Expenses:</u>			
Excess Insurance Premiums		34,108	
Administrative		<u>38,428</u>	
Subtotal Expenses			<u>72,536</u>
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>276,715</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			180,774
4. <u>Investment Income (Earned)</u>			<u>54,625</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			235,399
6. <u>Return of Surplus:</u>			
Paid		225,278	
Authorized and Unpaid		<u>1,169</u>	
Subtotal Return of Surplus			<u>226,447</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 8,952</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1987
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	338,387	
Supplemental Contributions			
Other Income (except investments)		<u>203</u>	
Total Income			\$ 338,590
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		140,513	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal		<u></u>	\$ 140,513
Less Excess Insurance:			
Received			
Receivable			
Recoverable		<u></u>	
Subtotal		<u></u>	
Limited Incurred Claims (claims-excess)			<u>140,513</u>
<u>Expenses:</u>			
Excess Insurance Premiums		57,286	
Administrative		<u>42,552</u>	
Subtotal Expenses			<u>99,838</u>
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>240,351</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			98,239
4. <u>Investment Income (Earned)</u>			<u>77,334</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			175,573
6. <u>Return of Surplus:</u>			
Paid		175,012	
Authorized and Unpaid		<u>26</u>	
Subtotal Return of Surplus			<u>175,038</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 535</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1988
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	355,774	
Supplemental Contributions		9,657	
Other Income (except investments)			
Total Income			\$ 365,431
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		251,743	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 251,743
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			251,743
<u>Expenses:</u>			
Excess Insurance Premiums		50,500	
Administrative		45,169	
Subtotal Expenses			95,669
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>347,412</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			18,019
4. <u>Investment Income (Earned)</u>			<u>32,877</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			50,896
6. <u>Return of Surplus:</u>			
Paid		50,376	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>50,376</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 520</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1989
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	456,450	
Supplemental Contributions		349,427	
Other Income (except investments)			
Total Income			\$ 805,877
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		850,270	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 850,270
Less Excess Insurance:			
Received		99,993	
Receivable			
Recoverable			
Subtotal			99,993
Limited Incurred Claims (claims-excess)			750,277
<u>Expenses:</u>			
Excess Insurance Premiums		38,900	
Administrative		55,935	
Subtotal Expenses			94,835
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>845,112</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(39,235)
4. <u>Investment Income (Earned)</u>			<u>62,437</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			23,202
6. <u>Return of Surplus:</u>			
Paid		23,215	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>23,215</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ (13)</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1990
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	475,966	
Supplemental Contributions		12,974	
Other Income (except investments)			
Total Income			\$ 488,940
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		409,145	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 409,145
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			409,145
<u>Expenses:</u>			
Excess Insurance Premiums		36,400	
Administrative		53,310	
Subtotal Expenses			89,710
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>498,855</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(9,915)
4. <u>Investment Income (Earned)</u>			<u>67,917</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			58,002
6. <u>Return of Surplus:</u>			
Paid		57,450	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>57,450</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 552</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1991
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	558,830	
Supplemental Contributions		57,718	
Other Income (except investments)			
Total Income			\$ 616,548
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		505,124	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 505,124
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			505,124
<u>Expenses:</u>			
Excess Insurance Premiums		33,250	
Administrative		53,655	
Subtotal Expenses			86,905
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>592,029</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			24,519
4. <u>Investment Income (Earned)</u>			<u>63,595</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			88,114
6. <u>Return of Surplus:</u>			
Paid		86,598	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>86,598</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 1,516</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1992
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	610,792	
Supplemental Contributions		44,698	
Other Income (except investments)			
Total Income			\$ 655,490
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		615,267	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 615,267
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			615,267
<u>Expenses:</u>			
Excess Insurance Premiums		31,225	
Administrative		50,930	
Subtotal Expenses			82,155
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>697,422</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			(41,932)
4. <u>Investment Income (Earned)</u>			<u>55,668</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			13,736
6. <u>Return of Surplus:</u>			
Paid		12,791	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>12,791</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 945</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1993
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	673,101	
Supplemental Contributions		218,843	
Other Income (except investments)			
Total Income			\$ 891,944
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		691,278	
Case Reserves			
Imprest Account			
IBNR Reserve			
Subtotal			\$ 691,278
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			691,278
<u>Expenses:</u>			
Excess Insurance Premiums		36,262	
Administrative		52,432	
Subtotal Expenses			88,694
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>779,972</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			111,972
4. <u>Investment Income (Earned)</u>			<u>54,551</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			166,523
6. <u>Return of Surplus:</u>			
Paid		164,308	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>164,308</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 2,215</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1994
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	965,362	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 965,362
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		421,547	
Case Reserves			
Imprest Account			
IBNR Reserve		1,000	
Subtotal			\$ 422,547
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)			422,547
<u>Expenses:</u>			
Excess Insurance Premiums		40,208	
Administrative		53,877	
Subtotal Expenses			94,085
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>516,632</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			448,730
4. <u>Investment Income (Earned)</u>			<u>183,674</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			632,404
6. <u>Return of Surplus:</u>			
Paid		629,404	
Authorized and Unpaid			
Subtotal Return of Surplus			<u>629,404</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 3,000</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1995
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,030,747		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,030,747
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	398,532		
Case Reserves			
Imprest Account			
IBNR Reserve	1,000		
Subtotal		\$ 399,532	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		399,532	
<u>Expenses:</u>			
Excess Insurance Premiums			
Administrative	90,187		
Subtotal Expenses		90,187	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>489,719</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			541,028
4. <u>Investment Income (Earned)</u>			<u>294,379</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			835,407
6. <u>Return of Surplus:</u>			
Paid	830,261		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>830,261</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 5,146</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1996
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,247,462		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,247,462
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	595,079		
Case Reserves			
Imprest Account			
IBNR Reserve	1,000		
Subtotal		\$ 596,079	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		596,079	
<u>Expenses:</u>			
Excess Insurance Premiums	34,547		
Administrative	58,620		
Subtotal Expenses		93,167	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>689,246</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			558,216
4. <u>Investment Income (Earned)</u>			<u>358,078</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			916,294
6. <u>Return of Surplus:</u>			
Paid	899,038		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>899,038</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 17,256</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1997
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,296,706		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,296,706
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	461,496		
Case Reserves			
Imprest Account			
IBNR Reserve	1,000		
Subtotal		\$ 462,496	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		462,496	
<u>Expenses:</u>			
Excess Insurance Premiums	39,221		
Administrative	96,249		
Subtotal Expenses		135,470	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>597,966</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			698,740
4. <u>Investment Income (Earned)</u>			<u>252,401</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			951,141
6. <u>Return of Surplus:</u>			
Paid	938,070		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>938,070</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 13,071</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1998
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,252,191		
Supplemental Contributions	101,493		
Other Income (except investments)			
Total Income			\$ 1,353,684
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	682,121		
Case Reserves			
Imprest Account			
IBNR Reserve	1,000		
Subtotal		\$ 683,121	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		683,121	
<u>Expenses:</u>			
Excess Insurance Premiums	41,215		
Administrative	104,763		
Subtotal Expenses		145,978	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>829,099</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			524,585
4. <u>Investment Income (Earned)</u>			<u>313,434</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			838,019
6. <u>Return of Surplus:</u>			
Paid	763,637		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>763,637</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 74,382</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 1999
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,181,598		
Supplemental Contributions	12,946		
Other Income (except investments)			
Total Income			\$ 1,194,544
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	489,806		
Case Reserves	218,631		
Imprest Account			
IBNR Reserve	50,000		
Subtotal		\$ 758,437	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		758,437	
<u>Expenses:</u>			
Excess Insurance Premiums	43,452		
Administrative	100,728		
Subtotal Expenses		144,180	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>902,617</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			291,927
4. <u>Investment Income (Earned)</u>			<u>168,090</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			460,017
6. <u>Return of Surplus:</u>			
Paid	448,508		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>448,508</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 11,509</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2000
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,183,247		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,183,247
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	532,975		
Case Reserves			
Imprest Account			
IBNR Reserve	2,500		
Subtotal		\$ 535,475	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		535,475	
<u>Expenses:</u>			
Excess Insurance Premiums	44,524		
Administrative	106,906		
Subtotal Expenses		151,430	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>686,905</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			496,342
4. <u>Investment Income (Earned)</u>			<u>170,389</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			666,731
6. <u>Return of Surplus:</u>			
Paid	597,309		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>597,309</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 69,422</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2001
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,175,003		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,175,003
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	312,416		
Case Reserves			
Imprest Account			
IBNR Reserve	2,500		
Subtotal		\$ 314,916	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		314,916	
<u>Expenses:</u>			
Excess Insurance Premiums	48,668		
Administrative	195,055		
Subtotal Expenses		243,723	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>558,639</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			616,364
4. <u>Investment Income (Earned)</u>			<u>168,398</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			784,762
6. <u>Return of Surplus:</u>			
Paid	694,374		
Authorized and Unpaid			
Subtotal Return of Surplus		694,374	
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 90,388</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2002
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,210,637		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,210,637
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	632,304		
Case Reserves			
Imprest Account			
IBNR Reserve	2,500		
Subtotal		\$ 634,804	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		634,804	
<u>Expenses:</u>			
Excess Insurance Premiums	68,189		
Administrative	132,246		
Subtotal Expenses		200,435	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>835,239</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			375,398
4. <u>Investment Income (Earned)</u>			<u>94,015</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			469,413
6. <u>Return of Surplus:</u>			
Paid	316,926		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>316,926</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 152,487</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2003

JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	1,301,636	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,301,636
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	598,399		
Case Reserves	77,488		
Imprest Account			
IBNR Reserve	24,113		
Subtotal		\$ 700,000	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		700,000	
<u>Expenses:</u>			
Excess Insurance Premiums	144,910		
Administrative	137,155		
Subtotal Expenses		282,065	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>982,065</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			319,571
4. <u>Investment Income (Earned)</u>			<u>93,729</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			413,300
6. <u>Return of Surplus:</u>			
Paid	371,860		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>371,860</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 41,440</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2004

JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,417,951		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,417,951
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	912,215		
Case Reserves	55,289		
Imprest Account			
IBNR Reserve	7,495		
Subtotal		\$ 974,999	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		974,999	
<u>Expenses:</u>			
Excess Insurance Premiums	172,021		
Administrative	143,137		
Subtotal Expenses		315,158	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>1,290,157</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			127,794
4. <u>Investment Income (Earned)</u>			<u>72,985</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			200,779
6. <u>Return of Surplus:</u>			
Paid	139,701		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>139,701</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 61,078</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2005
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,463,891		
Supplemental Contributions	72,366		
Other Income (except investments)			
Total Income			\$ 1,536,257
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	1,081,836		
Case Reserves	12,316		
Imprest Account			
IBNR Reserve	50,000		
Subtotal		\$ 1,144,152	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		1,144,152	
<u>Expenses:</u>			
Excess Insurance Premiums	164,260		
Administrative	151,033		
Subtotal Expenses		315,293	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>1,459,445</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			76,812
4. <u>Investment Income (Earned)</u>			<u>37,276</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			114,088
6. <u>Return of Surplus:</u>			
Paid	18,979		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>18,979</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 95,109</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2006
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,740,803		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,740,803
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	543,647		
Case Reserves			
Imprest Account			
IBNR Reserve	5,000		
Subtotal		\$ 548,647	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		548,647	
<u>Expenses:</u>			
Excess Insurance Premiums	162,854		
Administrative	162,863		
Subtotal Expenses		325,717	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>874,364</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			866,439
4. <u>Investment Income (Earned)</u>			<u>166,683</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			1,033,122
6. <u>Return of Surplus:</u>			
Paid	618,251		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>618,251</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 414,871</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2007
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,952,898		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 1,952,898
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	709,608		
Case Reserves	88,924		
Imprest Account			
IBNR Reserve	101,468		
Subtotal		\$ 900,000	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		900,000	
<u>Expenses:</u>			
Excess Insurance Premiums	176,724		
Administrative	171,249		
Subtotal Expenses		347,973	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>1,247,973</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			704,925
4. <u>Investment Income (Earned)</u>			<u>102,969</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			807,894
6. <u>Return of Surplus:</u>			
Paid	358,368		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>358,368</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 449,526</u>

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MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2008
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 1,969,623		
Supplemental Contributions	30,003		
Other Income (except investments)			
Total Income			\$ 1,999,626
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	889,158		
Case Reserves	221,797		
Imprest Account			
IBNR Reserve	289,404		
Subtotal		\$ 1,400,359	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		1,400,359	
<u>Expenses:</u>			
Excess Insurance Premiums	209,826		
Administrative	172,923		
Subtotal Expenses		382,749	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>1,783,108</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			216,518
4. <u>Investment Income (Earned)</u>			<u>39,649</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			256,167
6. <u>Return of Surplus:</u>			
Paid	108,519		
Authorized and Unpaid			
Subtotal Return of Surplus			<u>108,519</u>
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 147,648</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2009
JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 2,577,324		
Supplemental Contributions	70,836		
Other Income (except investments)			
Total Income			\$ 2,648,160
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	988,644		
Case Reserves	262,652		
Imprest Account			
IBNR Reserve	249,884		
Subtotal		\$ 1,501,180	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		1,501,180	
<u>Expenses:</u>			
Excess Insurance Premiums	634,703		
Administrative	200,880		
Subtotal Expenses		835,583	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>2,336,763</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			311,397
4. <u>Investment Income (Earned)</u>			<u>14,448</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			325,845
6. <u>Return of Surplus:</u>			
Paid	67,643		
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 325,845</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2010

JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 2,715,501		
Supplemental Contributions	82,217		
Other Income (except investments)			
Total Income			\$ 2,797,718
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	783,849		
Case Reserves	208,047		
Imprest Account			
IBNR Reserve	210,654		
Subtotal		\$ 1,202,550	
Less Excess Insurance:			
Received			
Receivable			
Recoverable	61,667		
Subtotal		61,667	
Limited Incurred Claims (claims-excess)		1,140,883	
<u>Expenses:</u>			
Excess Insurance Premiums	689,935		
Administrative	320,763		
Subtotal Expenses		1,010,698	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>2,151,581</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			646,137
4. <u>Investment Income (Earned)</u>			<u>13,675</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			659,812
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 659,812</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS

FUND YEAR - 2011

JUNE 30, 2012

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 2,876,606		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 2,876,606
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	383,743		
Case Reserves	338,156		
Imprest Account			
IBNR Reserve	478,204		
Subtotal		\$ 1,200,103	
Less Excess Insurance:			
Received			
Receivable			
Recoverable			
Subtotal			
Limited Incurred Claims (claims-excess)		1,200,103	
<u>Expenses:</u>			
Excess Insurance Premiums	736,312		
Administrative	325,531		
Subtotal Expenses		1,061,843	
<u>Total Incurred Liabilities (limited claims and expenses)</u>			<u>2,261,946</u>
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			614,660
4. <u>Investment Income (Earned)</u>			<u>8,529</u>
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			623,189
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			<u>\$ 623,189</u>

Schedule C

MORRIS ESSEX INSURANCE GROUP
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2012
JUNE 30, 2012

1.	<u>Underwriting Income:</u>		
	Regular Contributions (earned)	\$ 2,822,292	
	Supplemental Contributions		
	Other Income (except investments)		
	Total Income		\$ 2,822,292
2.	<u>Incurred Liabilities:</u>		
	<u>Claims:</u>		
	Paid	205,394	
	Case Reserves	262,117	
	Imprest Account		
	IBNR Reserve	632,714	
	Subtotal		\$ 1,100,225
	Less Excess Insurance:		
	Received		
	Receivable		
	Recoverable		
	Subtotal		
	Limited Incurred Claims (claims-excess)		1,100,225
	<u>Expenses:</u>		
	Excess Insurance Premiums	753,914	
	Administrative	328,194	
	Subtotal Expenses		1,082,108
	<u>Total Incurred Liabilities (limited claims and expenses)</u>		<u>2,182,333</u>
3.	<u>Underwriting Surplus/(Deficit) = 1-2</u>		639,959
4.	<u>Investment Income (Earned)</u>		<u>2,328</u>
5.	<u>Gross Operating Surplus/(Deficit) = 3+4</u>		642,287
6.	<u>Return of Surplus:</u>		
	Paid		
	Authorized and Unpaid		
	Subtotal Return of Surplus		
7.	<u>Net Current Surplus/(Deficit) = 5-6</u>		<u>\$ 642,287</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1985
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's</u>	<u>General and</u>	<u>Total</u>
	<u>Compensation</u>	<u>Administrative</u>	
	<u>Insurance</u>		
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 306,235		\$ 306,235
Supplemental Contributions	15,777		15,777
Other Income (except investments)	250		250
Total Income	<u>322,262</u>		<u>322,262</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	180,539		180,539
Expenses	29,452	\$ 34,767	64,219
Total Liabilities	<u>209,991</u>	<u>34,767</u>	<u>244,758</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>112,271</u>	<u>(34,767)</u>	<u>77,504</u>
4. <u>Adjustments</u>			
Investment Income	663	29,696	30,359
Transfers	(6,370)	6,370	
Total Adjustments	<u>(5,707)</u>	<u>36,066</u>	<u>30,359</u>
5. Gross Operating Surplus	<u>106,564</u>	<u>1,299</u>	<u>107,863</u>
6. Return of Surplus	<u>105,839</u>		<u>105,839</u>
7. Net Current Surplus	<u>\$ 725</u>	<u>\$ 1,299</u>	<u>\$ 2,024</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1986
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's</u>	<u>General and</u>	
	<u>Compensation</u>	<u>Administrative</u>	<u>Total</u>
	<u>Insurance</u>		
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 329,572		\$ 329,572
Supplemental Contributions	119,404		119,404
Other Income (except investments)	8,513		8,513
Total Income	<u>457,489</u>		<u>457,489</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	204,179		204,179
Expenses	34,108	\$ 38,428	72,536
Total Liabilities	<u>238,287</u>	<u>38,428</u>	<u>276,715</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>219,202</u>	<u>(38,428)</u>	<u>180,774</u>
4. <u>Adjustments</u>			
Investment Income		54,625	54,625
Transfers			
Total Adjustments		<u>54,625</u>	<u>54,625</u>
5. Gross Operating Surplus	<u>219,202</u>	<u>16,197</u>	<u>235,399</u>
6. Return of Surplus	<u>219,202</u>	<u>7,245</u>	<u>226,447</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 8,952</u>	<u>\$ 8,952</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1987
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 338,387		\$ 338,387
Supplemental Contributions			
Other Income (except investments)	203		203
Total Income	<u>338,590</u>		<u>338,590</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	140,513		140,513
Expenses	57,286	\$ 42,552	99,838
Total Liabilities	<u>197,799</u>	<u>42,552</u>	<u>240,351</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>140,791</u>	<u>(42,552)</u>	<u>98,239</u>
4. <u>Adjustments</u>			
Investment Income		77,334	77,334
Transfers	33,246	(33,246)	
Total Adjustments	<u>33,246</u>	<u>44,088</u>	<u>77,334</u>
5. Gross Operating Surplus	<u>174,037</u>	<u>1,536</u>	<u>175,573</u>
6. Return of Surplus	<u>174,037</u>	<u>1,001</u>	<u>175,038</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 535</u>	<u>\$ 535</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1988
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 355,774		\$ 355,774
Supplemental Contributions	9,657		9,657
Other Income (except investments)			
Total Income	<u>365,431</u>		<u>365,431</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	251,743		251,743
Expenses	50,500	\$ 45,169	95,669
Total Liabilities	<u>302,243</u>	<u>45,169</u>	<u>347,412</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>63,188</u>	<u>(45,169)</u>	<u>18,019</u>
4. <u>Adjustments</u>			
Investment Income		32,877	32,877
Transfers	(12,547)	12,547	
Total Adjustments	<u>(12,547)</u>	<u>45,424</u>	<u>32,877</u>
5. Gross Operating Surplus	<u>50,641</u>	<u>255</u>	<u>50,896</u>
6. Return of Surplus	<u>50,273</u>	<u>103</u>	<u>50,376</u>
7. Net Current Surplus	<u>\$ 368</u>	<u>\$ 152</u>	<u>\$ 520</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1989
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 456,450		\$ 456,450
Supplemental Contributions	349,427		349,427
Other Income (except investments)			
Total Income	<u>805,877</u>		<u>805,877</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	750,277		750,277
Expenses	38,900	\$ 55,935	94,835
Total Liabilities	<u>789,177</u>	<u>55,935</u>	<u>845,112</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>16,700</u>	<u>(55,935)</u>	<u>(39,235)</u>
4. <u>Adjustments</u>			
Investment Income		62,437	62,437
Transfers	7,382	(7,382)	
Total Adjustments	<u>7,382</u>	<u>55,055</u>	<u>62,437</u>
5. Gross Operating Surplus	<u>24,082</u>	<u>(880)</u>	<u>23,202</u>
6. Return of Surplus	<u>24,082</u>	<u>(867)</u>	<u>23,215</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ (13)</u>	<u>\$ (13)</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1990
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 475,966		\$ 475,966
Supplemental Contributions	12,974		12,974
Other Income (except investments)			
Total Income	<u>488,940</u>		<u>488,940</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	409,145		409,145
Expenses	36,400	\$ 53,310	89,710
Total Liabilities	<u>445,545</u>	<u>53,310</u>	<u>498,855</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>43,395</u>	<u>(53,310)</u>	<u>(9,915)</u>
4. <u>Adjustments</u>			
Investment Income		67,917	67,917
Transfers	12,910	(12,910)	
Total Adjustments	<u>12,910</u>	<u>55,007</u>	<u>67,917</u>
5. Gross Operating Surplus	<u>56,305</u>	<u>1,697</u>	<u>58,002</u>
6. Return of Surplus	<u>56,305</u>	<u>1,145</u>	<u>57,450</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 552</u>	<u>\$ 552</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1991
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 558,830		\$ 558,830
Supplemental Contributions	57,718		57,718
Other Income (except investments)			
Total Income	<u>616,548</u>		<u>616,548</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	505,124		505,124
Expenses	33,250	\$ 53,655	86,905
Total Liabilities	<u>538,374</u>	<u>53,655</u>	<u>592,029</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>78,174</u>	<u>(53,655)</u>	<u>24,519</u>
4. <u>Adjustments</u>			
Investment Income		63,595	63,595
Transfers	1,005	(1,005)	
Total Adjustments	<u>1,005</u>	<u>62,590</u>	<u>63,595</u>
5. Gross Operating Surplus	<u>79,179</u>	<u>8,935</u>	<u>88,114</u>
6. Return of Surplus	<u>79,179</u>	<u>7,419</u>	<u>86,598</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 1,516</u>	<u>\$ 1,516</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1992
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 610,792		\$ 610,792
Supplemental Contributions	44,698		44,698
Other Income (except investments)			
Total Income	<u>655,490</u>		<u>655,490</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	615,267		615,267
Expenses	31,225	\$ 50,930	82,155
Total Liabilities	<u>646,492</u>	<u>50,930</u>	<u>697,422</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>8,998</u>	<u>(50,930)</u>	<u>(41,932)</u>
4. <u>Adjustments</u>			
Investment Income		55,668	55,668
Transfers	2,638	(2,638)	
Total Adjustments	<u>2,638</u>	<u>53,030</u>	<u>55,668</u>
5. Gross Operating Surplus	<u>11,636</u>	<u>2,100</u>	<u>13,736</u>
6. Return of Surplus	<u>11,037</u>	<u>1,754</u>	<u>12,791</u>
7. Net Current Surplus	<u>\$ 599</u>	<u>\$ 346</u>	<u>\$ 945</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1993
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's</u>	<u>General and</u>	<u>Total</u>
	<u>Compensation</u>	<u>Administrative</u>	
	<u>Insurance</u>		
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 673,101		\$ 673,101
Supplemental Contributions	218,843		218,843
Other Income (except investments)			
Total Income	<u>891,944</u>		<u>891,944</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	691,278		691,278
Expenses	36,262	\$ 52,432	88,694
Total Liabilities	<u>727,540</u>	<u>52,432</u>	<u>779,972</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>164,404</u>	<u>(52,432)</u>	<u>111,972</u>
4. <u>Adjustments</u>			
Investment Income		54,551	54,551
Transfers			
Total Adjustments		<u>54,551</u>	<u>54,551</u>
5. Gross Operating Surplus	<u>164,404</u>	<u>2,119</u>	<u>166,523</u>
6. Return of Surplus	<u>163,920</u>	<u>388</u>	<u>164,308</u>
7. Net Current Surplus	<u>\$ 484</u>	<u>\$ 1,731</u>	<u>\$ 2,215</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1994
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 965,362		\$ 965,362
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>965,362</u>	<u></u>	<u>965,362</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	422,547		422,547
Expenses	40,208	\$ 53,877	94,085
Total Liabilities	<u>462,755</u>	<u>53,877</u>	<u>516,632</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>502,607</u>	<u>(53,877)</u>	<u>448,730</u>
4. <u>Adjustments</u>			
Investment Income		183,674	183,674
Transfers	103,244	(103,244)	
Total Adjustments	<u>103,244</u>	<u>80,430</u>	<u>183,674</u>
5. Gross Operating Surplus	<u>605,851</u>	<u>26,553</u>	<u>632,404</u>
6. Return of Surplus	<u>605,851</u>	<u>23,553</u>	<u>629,404</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1995
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,030,747		\$ 1,030,747
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,030,747</u>	<u></u>	<u>1,030,747</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	399,532		399,532
Expenses		\$ 90,187	90,187
Total Liabilities	<u>399,532</u>	<u>90,187</u>	<u>489,719</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>631,215</u>	<u>(90,187)</u>	<u>541,028</u>
4. <u>Adjustments</u>			
Investment Income		294,379	294,379
Transfers	158,629	(158,629)	
Total Adjustments	<u>158,629</u>	<u>135,750</u>	<u>294,379</u>
5. Gross Operating Surplus	<u>789,844</u>	<u>45,563</u>	<u>835,407</u>
6. Return of Surplus	<u>789,844</u>	<u>40,417</u>	<u>830,261</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 5,146</u>	<u>\$ 5,146</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1996
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's</u>	<u>General and</u>	<u>Total</u>
	<u>Compensation</u>	<u>Administrative</u>	
	<u>Insurance</u>		
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,247,462		\$ 1,247,462
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,247,462</u>	<u></u>	<u>1,247,462</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	596,079		596,079
Expenses	34,547	\$ 58,620	93,167
Total Liabilities	<u>630,626</u>	<u>58,620</u>	<u>689,246</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>616,836</u>	<u>(58,620)</u>	<u>558,216</u>
4. <u>Adjustments</u>			
Investment Income	200	357,878	358,078
Transfers	210,855	(210,855)	
Total Adjustments	<u>211,055</u>	<u>147,023</u>	<u>358,078</u>
5. Gross Operating Surplus	<u>827,891</u>	<u>88,403</u>	<u>916,294</u>
6. Return of Surplus	<u>827,891</u>	<u>71,147</u>	<u>899,038</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 17,256</u>	<u>\$ 17,256</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1997
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,296,706		\$ 1,296,706
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,296,706</u>	<u></u>	<u>1,296,706</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	462,496		462,496
Expenses	39,221	\$ 96,249	135,470
Total Liabilities	<u>501,717</u>	<u>96,249</u>	<u>597,966</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>794,989</u>	<u>(96,249)</u>	<u>698,740</u>
4. <u>Adjustments</u>			
Investment Income	3,390	249,011	252,401
Transfers	35,547	(35,547)	
Total Adjustments	<u>38,937</u>	<u>213,464</u>	<u>252,401</u>
5. Gross Operating Surplus	<u>833,926</u>	<u>117,215</u>	<u>951,141</u>
6. Return of Surplus	<u>833,926</u>	<u>104,144</u>	<u>938,070</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 13,071</u>	<u>\$ 13,071</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1998
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,252,191		\$ 1,252,191
Supplemental Contributions	101,493		101,493
Other Income (except investments)			
Total Income	<u>1,353,684</u>		<u>1,353,684</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	683,121		683,121
Expenses	41,215	\$ 104,763	145,978
Total Liabilities	<u>724,336</u>	<u>104,763</u>	<u>829,099</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>629,348</u>	<u>(104,763)</u>	<u>524,585</u>
4. <u>Adjustments</u>			
Investment Income		313,434	313,434
Transfers	125,657	(125,657)	
Total Adjustments	<u>125,657</u>	<u>187,777</u>	<u>313,434</u>
5. Gross Operating Surplus	<u>755,005</u>	<u>83,014</u>	<u>838,019</u>
6. Return of Surplus	<u>755,005</u>	<u>8,632</u>	<u>763,637</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 74,382</u>	<u>\$ 74,382</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 1999
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,181,598		\$ 1,181,598
Supplemental Contributions		\$ 12,946	12,946
Other Income (except investments)			
Total Income	<u>1,181,598</u>	<u>12,946</u>	<u>1,194,544</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	758,437		758,437
Expenses	43,452	100,728	144,180
Total Liabilities	<u>801,889</u>	<u>100,728</u>	<u>902,617</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>379,709</u>	<u>(87,782)</u>	<u>291,927</u>
4. <u>Adjustments</u>			
Investment Income	50,570	117,520	168,090
Transfers			
Total Adjustments	<u>50,570</u>	<u>117,520</u>	<u>168,090</u>
5. Gross Operating Surplus	<u>430,279</u>	<u>29,738</u>	<u>460,017</u>
6. Return of Surplus	<u>419,741</u>	<u>28,767</u>	<u>448,508</u>
7. Net Current Surplus	<u>\$ 10,538</u>	<u>\$ 971</u>	<u>\$ 11,509</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2000
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,183,247		\$ 1,183,247
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,183,247</u>		<u>1,183,247</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	535,475		535,475
Expenses	44,524	\$ 106,906	151,430
Total Liabilities	<u>579,999</u>	<u>106,906</u>	<u>686,905</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>603,248</u>	<u>(106,906)</u>	<u>496,342</u>
4. <u>Adjustments</u>			
Investment Income		170,389	170,389
Transfers	(2,876)	2,876	
Total Adjustments	<u>(2,876)</u>	<u>173,265</u>	<u>170,389</u>
5. Gross Operating Surplus	<u>600,372</u>	<u>66,359</u>	<u>666,731</u>
6. Return of Surplus	<u>597,309</u>		<u>597,309</u>
7. Net Current Surplus	<u>\$ 3,063</u>	<u>\$ 66,359</u>	<u>\$ 69,422</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2001
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,175,003		\$ 1,175,003
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,175,003</u>		<u>1,175,003</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	314,916		314,916
Expenses	48,668	\$ 195,055	243,723
Total Liabilities	<u>363,584</u>	<u>195,055</u>	<u>558,639</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>811,419</u>	<u>(195,055)</u>	<u>616,364</u>
4. <u>Adjustments</u>			
Investment Income		168,398	168,398
Transfers	(84,459)	84,459	
Total Adjustments	<u>(84,459)</u>	<u>252,857</u>	<u>168,398</u>
5. Gross Operating Surplus	<u>726,960</u>	<u>57,802</u>	<u>784,762</u>
6. Return of Surplus	<u>694,374</u>		<u>694,374</u>
7. Net Current Surplus	<u>\$ 32,586</u>	<u>\$ 57,802</u>	<u>\$ 90,388</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2002
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,210,637		\$ 1,210,637
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,210,637</u>	<u></u>	<u>1,210,637</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	634,804		634,804
Expenses	68,189	\$ 132,246	200,435
Total Liabilities	<u>702,993</u>	<u>132,246</u>	<u>835,239</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>507,644</u>	<u>(132,246)</u>	<u>375,398</u>
4. <u>Adjustments</u>			
Investment Income		94,015	94,015
Transfers	(84,444)	84,444	
Total Adjustments	<u>(84,444)</u>	<u>178,459</u>	<u>94,015</u>
5. Gross Operating Surplus	<u>423,200</u>	<u>46,213</u>	<u>469,413</u>
6. Return of Surplus	<u>316,926</u>	<u></u>	<u>316,926</u>
7. Net Current Surplus	<u>\$ 106,274</u>	<u>\$ 46,213</u>	<u>\$ 152,487</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2003
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,301,636		\$ 1,301,636
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,301,636</u>	<u></u>	<u>1,301,636</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	700,000		700,000
Expenses	144,910	\$ 137,155	282,065
Total Liabilities	<u>844,910</u>	<u>137,155</u>	<u>982,065</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>456,726</u>	<u>(137,155)</u>	<u>319,571</u>
4. <u>Adjustments</u>			
Investment Income		93,729	93,729
Transfers	(104,090)	104,090	
Total Adjustments	<u>(104,090)</u>	<u>197,819</u>	<u>93,729</u>
5. Gross Operating Surplus	<u>352,636</u>	<u>60,664</u>	<u>413,300</u>
6. Return of Surplus	<u>352,636</u>	<u>19,224</u>	<u>371,860</u>
7. Net Current Surplus	<u>\$ -0-</u>	<u>\$ 41,440</u>	<u>\$ 41,440</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2004
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,417,951		\$ 1,417,951
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,417,951</u>	<u></u>	<u>1,417,951</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	974,999		974,999
Expenses	<u>172,021</u>	<u>\$ 143,137</u>	<u>315,158</u>
Total Liabilities	<u>1,147,020</u>	<u>143,137</u>	<u>1,290,157</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>270,931</u>	<u>(143,137)</u>	<u>127,794</u>
4. <u>Adjustments</u>			
Investment Income		72,985	72,985
Transfers	<u>(108,060)</u>	<u>108,060</u>	
Total Adjustments	<u>(108,060)</u>	<u>181,045</u>	<u>72,985</u>
5. Gross Operating Surplus	<u>162,871</u>	<u>37,908</u>	<u>200,779</u>
6. Return of Surplus	<u>139,701</u>	<u></u>	<u>139,701</u>
7. Net Current Surplus	<u>\$ 23,170</u>	<u>\$ 37,908</u>	<u>\$ 61,078</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2005
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,414,260	\$ 49,631	\$ 1,463,891
Supplemental Contributions		72,366	72,366
Other Income (except investments)			
Total Income	<u>1,414,260</u>	<u>121,997</u>	<u>1,536,257</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	1,144,152		1,144,152
Expenses	164,260	151,033	315,293
Total Liabilities	<u>1,308,412</u>	<u>151,033</u>	<u>1,459,445</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>105,848</u>	<u>(29,036)</u>	<u>76,812</u>
4. <u>Adjustments</u>			
Investment Income		37,276	37,276
Transfers			
Total Adjustments	<u></u>	<u>37,276</u>	<u>37,276</u>
5. Gross Operating Surplus	<u>105,848</u>	<u>8,240</u>	<u>114,088</u>
6. Return of Surplus	<u>16,663</u>	<u>2,316</u>	<u>18,979</u>
7. Net Current Surplus	<u>\$ 89,185</u>	<u>\$ 5,924</u>	<u>\$ 95,109</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2006
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	<u>Total</u>
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,392,642	\$ 348,161	\$ 1,740,803
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,392,642</u>	<u>348,161</u>	<u>1,740,803</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	548,647		548,647
Expenses	162,854	162,863	325,717
Total Liabilities	<u>711,501</u>	<u>162,863</u>	<u>874,364</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>681,141</u>	<u>185,298</u>	<u>866,439</u>
4. <u>Adjustments</u>			
Investment Income		166,683	166,683
Transfers			
Total Adjustments	<u></u>	<u>166,683</u>	<u>166,683</u>
5. Gross Operating Surplus	<u>681,141</u>	<u>351,981</u>	<u>1,033,122</u>
6. Return of Surplus	<u>584,819</u>	<u>33,432</u>	<u>618,251</u>
7. Net Current Surplus	<u>\$ 96,322</u>	<u>\$ 318,549</u>	<u>\$ 414,871</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2007
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>		<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,562,318	\$ 390,580	\$ 1,952,898
Supplemental Contributions			
Other Income (except investments)			
Total Income	<u>1,562,318</u>	<u>390,580</u>	<u>1,952,898</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	900,000		900,000
Expenses	176,724	171,249	347,973
Total Liabilities	<u>1,076,724</u>	<u>171,249</u>	<u>1,247,973</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>485,594</u>	<u>219,331</u>	<u>704,925</u>
4. <u>Adjustments</u>			
Investment Income		102,969	102,969
Transfers			
Total Adjustments	<u></u>	<u>102,969</u>	<u>102,969</u>
5. Gross Operating Surplus	<u>485,594</u>	<u>322,300</u>	<u>807,894</u>
6. Return of Surplus	<u>291,495</u>	<u>66,873</u>	<u>358,368</u>
7. Net Current Surplus	<u>\$ 194,099</u>	<u>\$ 255,427</u>	<u>\$ 449,526</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2008
JUNE 30, 2012

	Coverages and Other Accounts		
	Worker's Compensation Insurance	General and Administrative	Total
1. <u>Underwriting Income</u>			
Regular Contributions (earned)	\$ 1,575,698	\$ 393,925	\$ 1,969,623
Supplemental Contributions	30,003		30,003
Other Income (except investments)			
Total Income	<u>1,605,701</u>	<u>393,925</u>	<u>1,999,626</u>
2. <u>Incurred Liabilities</u>			
Claims (limited incurred)	1,400,359		1,400,359
Expenses	209,826	172,923	382,749
Total Liabilities	<u>1,610,185</u>	<u>172,923</u>	<u>1,783,108</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(4,484)</u>	<u>221,002</u>	<u>216,518</u>
4. <u>Adjustments</u>			
Investment Income	4,125	35,524	39,649
Transfers			
Total Adjustments	<u>4,125</u>	<u>35,524</u>	<u>39,649</u>
5. Gross Operating Surplus	<u>(359)</u>	<u>256,526</u>	<u>256,167</u>
6. Return of Surplus		<u>108,519</u>	<u>108,519</u>
7. Net Current Surplus	<u>\$ (359)</u>	<u>\$ 148,007</u>	<u>\$ 147,648</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2009
JUNE 30, 2012

	Coverages and Other Accounts			
	Worker's Compensation Insurance	Liability	General and Administrative	Total
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 1,556,471	\$ 505,388	\$ 515,465	\$ 2,577,324
Supplemental Contributions	70,836			70,836
Other Income (except investments)				
Total Income	<u>1,627,307</u>	<u>505,388</u>	<u>515,465</u>	<u>2,648,160</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	1,501,180			1,501,180
Expenses	153,381	481,322	200,880	835,583
Total Liabilities	<u>1,654,561</u>	<u>481,322</u>	<u>200,880</u>	<u>2,336,763</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>(27,254)</u>	<u>24,066</u>	<u>314,585</u>	<u>311,397</u>
4. <u>Adjustments</u>				
Investment Income	5,984		8,464	14,448
Transfers	24,066	(24,066)		
Total Adjustments	<u>30,050</u>	<u>(24,066)</u>	<u>8,464</u>	<u>14,448</u>
5. Gross Operating Surplus	<u>2,796</u>		<u>323,049</u>	<u>325,845</u>
6. Return of Surplus			<u>67,643</u>	<u>67,643</u>
7. Net Current Surplus	<u>\$ 2,796</u>	<u>\$ -0-</u>	<u>\$ 255,406</u>	<u>\$ 258,202</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2010
JUNE 30, 2012

	Coverages and Other Accounts			
	Worker's Compensation Insurance	Liability	General and Administrative	Total
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 1,755,472	\$ 521,160	\$ 438,869	\$ 2,715,501
Supplemental Contributions	82,217			82,217
Other Income (except investments)				
Total Income	<u>1,837,689</u>	<u>521,160</u>	<u>438,869</u>	<u>2,797,718</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	1,140,883			1,140,883
Expenses	196,592	493,343	320,763	1,010,698
Total Liabilities	<u>1,337,475</u>	<u>493,343</u>	<u>320,763</u>	<u>2,151,581</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>500,214</u>	<u>27,817</u>	<u>118,106</u>	<u>646,137</u>
4. <u>Adjustments</u>				
Investment Income			13,675	13,675
Transfers	27,817	(27,817)		
Total Adjustments	<u>27,817</u>	<u>(27,817)</u>	<u>13,675</u>	<u>13,675</u>
5. Gross Operating Surplus	<u>528,031</u>		<u>131,781</u>	<u>659,812</u>
6. Return of Surplus				
7. Net Current Surplus	<u>\$ 528,031</u>	<u>\$ -0-</u>	<u>\$ 131,781</u>	<u>\$ 659,812</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2011
JUNE 30, 2012

	Coverages and Other Accounts			
	Worker's Compensation Insurance	Liability	General and Administrative	Total
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 1,865,143	\$ 538,463	\$ 473,000	\$ 2,876,606
Supplemental Contributions				
Other Income (except investments)				
Total Income	<u>1,865,143</u>	<u>538,463</u>	<u>473,000</u>	<u>2,876,606</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	1,200,103			1,200,103
Expenses	223,492	512,820	325,531	1,061,843
Total Liabilities	<u>1,423,595</u>	<u>512,820</u>	<u>325,531</u>	<u>2,261,946</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>441,548</u>	<u>25,643</u>	<u>147,469</u>	<u>614,660</u>
4. <u>Adjustments</u>				
Investment Income			8,529	8,529
Transfers	25,643	(25,643)		
Total Adjustments	<u>25,643</u>	<u>(25,643)</u>	<u>8,529</u>	<u>8,529</u>
5. Gross Operating Surplus	<u>467,191</u>		<u>155,998</u>	<u>623,189</u>
6. Return of Surplus				
7. Net Current Surplus	<u>\$ 467,191</u>	<u>\$ -0-</u>	<u>\$ 155,998</u>	<u>\$ 623,189</u>

Schedule D

MORRIS ESSEX INSURANCE GROUP
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2012
JUNE 30, 2012

	<u>Coverages and Other Accounts</u>			<u>Total</u>
	<u>Worker's Compensation Insurance</u>	<u>Liability</u>	<u>General and Administrative</u>	
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 2,161,767	\$ 358,000	\$ 302,525	\$ 2,822,292
Supplemental Contributions				
Other Income (except investments)				
Total Income	<u>2,161,767</u>	<u>358,000</u>	<u>302,525</u>	<u>2,822,292</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	1,100,225			1,100,225
Expenses	229,115	524,799	328,194	1,082,108
Total Liabilities	<u>1,329,340</u>	<u>524,799</u>	<u>328,194</u>	<u>2,182,333</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>832,427</u>	<u>(166,799)</u>	<u>(25,669)</u>	<u>639,959</u>
4. <u>Adjustments</u>				
Investment Income			2,328	2,328
Transfers	(190,140)	166,799	23,341	
Total Adjustments	<u>(190,140)</u>	<u>166,799</u>	<u>25,669</u>	<u>2,328</u>
5. Gross Operating Surplus	<u>642,287</u>			<u>642,287</u>
6. Return of Surplus				
7. Net Current Surplus	<u>\$ 642,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 642,287</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1985
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 180,539
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>180,539</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u></u>
Incurred Claims	<u>180,539</u>
Number of Claims	252
Cost/Claim	<u>\$ 716</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1986
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 362,910
Case Reserves	144,083
Imprest Account	
IBNR Reserve	
Subtotal	<u>506,993</u>
Excess Insurance	
Received	139,550
Receivable	19,181
Recoverable	144,083
Subtotal	<u>302,814</u>
Incurred Claims	<u>204,179</u>
Number of Claims	252
Cost/Claim	<u>\$ 810</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1987
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 140,513
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>140,513</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>140,513</u>
Number of Claims	265
Cost/Claim	<u>\$ 530</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1988
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 251,743
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>251,743</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>251,743</u>
Number of Claims	204
Cost/Claim	<u>\$ 1,234</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1989
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 850,270
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>850,270</u>
Excess Insurance	
Received	99,993
Receivable	
Recoverable	
Subtotal	<u>99,993</u>
Incurred Claims	<u>750,277</u>
Number of Claims	262
Cost/Claim	<u>\$ 2,864</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1990
JUNE 30, 2012

	<u>Coverage Worker's Compensation Insurance</u>
Paid Claims	\$ 409,145
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>409,145</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u></u>
Incurred Claims	<u>409,145</u>
Number of Claims	286
Cost/Claim	<u>\$ 1,431</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1991
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 505,124
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>505,124</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>505,124</u>
Number of Claims	252
Cost/Claim	<u>\$ 2,004</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1992
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 615,267
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>615,267</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>615,267</u>
Number of Claims	252
Cost/Claim	<u>\$ 2,442</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1993
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 691,278
Case Reserves	
Imprest Account	
IBNR Reserve	
Subtotal	<u>691,278</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>691,278</u>
Number of Claims	281
Cost/Claim	<u>\$ 2,460</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1994
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 421,547
Case Reserves	
Imprest Account	
IBNR Reserve	1,000
Subtotal	<u>422,547</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>422,547</u>
Number of Claims	288
Cost/Claim	<u>\$ 1,467</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1995
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 398,532
Case Reserves	
Imprest Account	
IBNR Reserve	1,000
Subtotal	<u>399,532</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>399,532</u>
Number of Claims	287
Cost/Claim	<u>\$ 1,392</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1996
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 595,079
Case Reserves	
Imprest Account	
IBNR Reserve	1,000
Subtotal	<u>596,079</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u></u>
Incurred Claims	<u>596,079</u>
Number of Claims	283
Cost/Claim	<u>\$ 2,106</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1997
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 461,496
Case Reserves	
Imprest Account	
IBNR Reserve	1,000
Subtotal	<u>462,496</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>462,496</u>
Number of Claims	269
Cost/Claim	<u>\$ 1,719</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1998
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 682,121
Case Reserves	
Imprest Account	
IBNR Reserve	1,000
Subtotal	<u>683,121</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>683,121</u>
Number of Claims	259
Cost/Claim	<u>\$ 2,638</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 1999
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 489,806
Case Reserves	218,631
Imprest Account	
IBNR Reserve	50,000
Subtotal	<u>758,437</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>758,437</u>
Number of Claims	278
Cost/Claim	<u>\$ 2,728</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2000
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 532,975
Case Reserves	
Imprest Account	
IBNR Reserve	2,500
Subtotal	<u>535,475</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>535,475</u>
Number of Claims	264
Cost/Claim	<u>\$ 2,028</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2001
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 312,416
Case Reserves	
Imprest Account	
IBNR Reserve	2,500
Subtotal	<u>314,916</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>314,916</u>
Number of Claims	283
Cost/Claim	<u>\$ 1,113</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2002
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 632,304
Case Reserves	
Imprest Account	
IBNR Reserve	2,500
Subtotal	<u>634,804</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>634,804</u>
Number of Claims	273
Cost/Claim	<u>\$ 2,325</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2003
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 598,399
Case Reserves	77,488
Imprest Account	
IBNR Reserve	24,113
Subtotal	<u>700,000</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>700,000</u>
Number of Claims	264
Cost/Claim	<u>\$ 2,652</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2004
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 912,215
Case Reserves	55,289
Imprest Account	
IBNR Reserve	7,495
Subtotal	<u>974,999</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>974,999</u>
Number of Claims	237
Cost/Claim	<u>\$ 4,114</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2005
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 1,081,836
Case Reserves	12,316
Imprest Account	
IBNR Reserve	50,000
Subtotal	<u>1,144,152</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>1,144,152</u>
Number of Claims	272
Cost/Claim	<u>\$ 4,206</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2006
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 543,647
Case Reserves	
Imprest Account	
IBNR Reserve	5,000
Subtotal	<u>548,647</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>548,647</u>
Number of Claims	258
Cost/Claim	<u>\$ 2,127</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2007
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 709,608
Case Reserves	88,924
Imprest Account	
IBNR Reserve	101,468
Subtotal	<u>900,000</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>900,000</u>
Number of Claims	238
Cost/Claim	<u>\$ 3,782</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2008
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 889,158
Case Reserves	221,797
Imprest Account	
IBNR Reserve	289,404
Subtotal	<u>1,400,359</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>1,400,359</u>
Number of Claims	261
Cost/Claim	<u>\$ 5,365</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2009
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 988,644
Case Reserves	262,652
Imprest Account	
IBNR Reserve	249,884
Subtotal	<u>1,501,180</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>1,501,180</u>
Number of Claims	275
Cost/Claim	<u>\$ 5,459</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2010
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 783,849
Case Reserves	208,047
Imprest Account	
IBNR Reserve	210,654
Subtotal	<u>1,202,550</u>
Excess Insurance	
Received	
Receivable	
Recoverable	61,667
Subtotal	<u>61,667</u>
Incurred Claims	<u>1,140,883</u>
Number of Claims	256
Cost/Claim	<u>\$ 4,457</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2011
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 383,743
Case Reserves	338,156
Imprest Account	
IBNR Reserve	478,204
Subtotal	<u>1,200,103</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>1,200,103</u>
Number of Claims	256
Cost/Claim	<u>\$ 4,688</u>

Schedule E

MORRIS ESSEX INSURANCE GROUP
FUND YEAR CLAIMS ANALYSIS
FUND YEAR - 2012
JUNE 30, 2012

	<u>Coverage</u> <u>Worker's</u> <u>Compensation</u> <u>Insurance</u>
Paid Claims	\$ 205,394
Case Reserves	262,117
Imprest Account	
IBNR Reserve	632,714
Subtotal	<u>1,100,225</u>
Excess Insurance	
Received	
Receivable	
Recoverable	
Subtotal	<u> </u>
Incurred Claims	<u>1,100,225</u>
Number of Claims	222
Cost/Claim	<u>\$ 4,956</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1985
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 29,452		\$ 29,452
Subtotal Excess	<u>29,452</u>		<u>29,452</u>
2. <u>Administrative Expenses</u>			
Administrator	26,724		26,724
Workers' Compensation Audit			
Treasurer			
Other (itemize)			
Audit	2,000		2,000
Consultants	4,000		4,000
Actuary			
Bank Investment Fees	1,631		1,631
Miscellaneous	412		412
Subtotal Administrative	<u>34,767</u>		<u>34,767</u>
Total Expenses = 1+2	<u>\$ 64,219</u>	<u>\$ -0-</u>	<u>\$ 64,219</u>

Schedule F

MORRIS ESSEX INSURANCE GROUPFUND YEAR EXPENSE ANALYSISFUND YEAR - 1986JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 34,108		\$ 34,108
Subtotal Excess	<u>34,108</u>		<u>34,108</u>
2. <u>Administrative Expenses</u>			
Administrator	29,235		29,235
Workers' Compensation Audit			
Treasurer			
Other (itemize)			
Audit	2,000		2,000
Consultants	4,230		4,230
Actuary			
Bank Investment Fees	2,085		2,085
Miscellaneous	878		878
Subtotal Administrative	<u>38,428</u>		<u>38,428</u>
Total Expenses = 1+2	<u>\$ 72,536</u>	<u>\$ -0-</u>	<u>\$ 72,536</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1987
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 57,286		\$ 57,286
Subtotal Excess	<u>57,286</u>		<u>57,286</u>
2. <u>Administrative Expenses</u>			
Administrator	32,400		32,400
Workers' Compensation Audit			
Treasurer			
Other (itemize)			
Audit	2,500		2,500
Consultants	4,230		4,230
Actuary			
Bank Investment Fees	2,601		2,601
Miscellaneous	821		821
Subtotal Administrative	<u>42,552</u>		<u>42,552</u>
Total Expenses = 1+2	<u>\$ 99,838</u>	<u>\$ -0-</u>	<u>\$ 99,838</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1988
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 50,500		\$ 50,500
Subtotal Excess	<u>50,500</u>		<u>50,500</u>
2. <u>Administrative Expenses</u>			
Administrator	35,000		35,000
Workers' Compensation Audit			
Treasurer	1,136		1,136
Other (itemize)			
Audit	2,500		2,500
Consultants	3,290		3,290
Actuary			
Bank Investment Fees	2,861		2,861
Miscellaneous	382		382
Subtotal Administrative	<u>45,169</u>		<u>45,169</u>
Total Expenses = 1+2	<u>\$ 95,669</u>	<u>\$ -0-</u>	<u>\$ 95,669</u>

Schedule F

MORRIS ESSEX INSURANCE GROUPFUND YEAR EXPENSE ANALYSISFUND YEAR - 1989JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 38,900		\$ 38,900
Subtotal Excess	<u>38,900</u>		<u>38,900</u>
2. <u>Administrative Expenses</u>			
Administrator	40,000		40,000
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	3,000		3,000
Consultants	3,525		3,525
Actuary			
Bank Investment Fees	2,864		2,864
Miscellaneous	<u>3,546</u>		<u>3,546</u>
Subtotal Administrative	<u>55,935</u>		<u>55,935</u>
Total Expenses = 1+2	<u>\$ 94,835</u>	<u>\$ -0-</u>	<u>\$ 94,835</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1990
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 36,400		\$ 36,400
Subtotal Excess	<u>36,400</u>		<u>36,400</u>
2. <u>Administrative Expenses</u>			
Administrator	40,000		40,000
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	3,000		3,000
Consultants	3,525		3,525
Actuary			
Bank Investment Fees	2,981		2,981
Miscellaneous	804		804
Subtotal Administrative	<u>53,310</u>		<u>53,310</u>
Total Expenses = 1+2	<u>\$ 89,710</u>	<u>\$ -0-</u>	<u>\$ 89,710</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1991
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 33,250		\$ 33,250
Subtotal Excess	<u>33,250</u>		<u>33,250</u>
2. <u>Administrative Expenses</u>			
Administrator	40,000		40,000
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	3,500		3,500
Consultants	3,528		3,528
Actuary			
Bank Investment Fees			
Miscellaneous	3,627		3,627
Subtotal Administrative	<u>53,655</u>		<u>53,655</u>
Total Expenses = 1+2	<u>\$ 86,905</u>	<u>\$ -0-</u>	<u>\$ 86,905</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1992
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 31,225		\$ 31,225
Subtotal Excess	<u>31,225</u>		<u>31,225</u>
2. <u>Administrative Expenses</u>			
Administrator	31,250		31,250
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	3,500		3,500
Consultants	4,500		4,500
Actuary	5,000		5,000
Administrative Fee	3,254		3,254
Bank Investment Fees			
Miscellaneous	426		426
Subtotal Administrative	<u>50,930</u>		<u>50,930</u>
Total Expenses = 1+2	<u>\$ 82,155</u>	<u>\$ -0-</u>	<u>\$ 82,155</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1993
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 36,262		\$ 36,262
Subtotal Excess	<u>36,262</u>		<u>36,262</u>
2. <u>Administrative Expenses</u>			
Administrator	32,251		32,251
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	4,000		4,000
Consultants	4,500		4,500
Actuary	5,000		5,000
Administrative Fee	2,892		2,892
Bank Investment Fees			
Miscellaneous	789		789
Subtotal Administrative	<u>52,432</u>		<u>52,432</u>
Total Expenses = 1+2	<u>\$ 88,694</u>	<u>\$ -0-</u>	<u>\$ 88,694</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1994
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 40,208		\$ 40,208
Subtotal Excess	<u>40,208</u>		<u>40,208</u>
2. <u>Administrative Expenses</u>			
Administrator	33,251		33,251
Workers' Compensation Audit			
Treasurer	3,000		3,000
Other (itemize)			
Audit	4,000		4,000
Consultants	4,500		4,500
Actuary	5,000		5,000
Administrative Fee	3,563		3,563
Bank Investment Fees			
Miscellaneous	563		563
Subtotal Administrative	<u>53,877</u>		<u>53,877</u>
Total Expenses = 1+2	<u>\$ 94,085</u>	<u>\$ -0-</u>	<u>\$ 94,085</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1995
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance			
Subtotal Excess			
2. <u>Administrative Expenses</u>			
Administrator			
Workers' Compensation Audit			
Treasurer			
Other (itemize)			
Audit			
Consultants			
Actuary			
Bank Investment Fees			
Miscellaneous	\$ 90,187		\$ 90,187
Subtotal Administrative	90,187		90,187
Total Expenses = 1+2	\$ 90,187	\$ -0-	\$ 90,187

Note - Prior year report does not provide the detailed information needed to complete this schedule.

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1996
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 34,547		\$ 34,547
Subtotal Excess	<u>34,547</u>		<u>34,547</u>
2. <u>Administrative Expenses</u>			
Administrator	33,979		33,979
Workers' Compensation Audit	1,539		1,539
Treasurer	4,000		4,000
Other (itemize)			
Audit	4,500		4,500
Consultants	4,500		4,500
Actuary	5,000		5,000
Bank Investment Fees	4,590		4,590
Miscellaneous	512		512
Subtotal Administrative	<u>58,620</u>		<u>58,620</u>
Total Expenses = 1+2	<u>\$ 93,167</u>	<u>\$ -0-</u>	<u>\$ 93,167</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1997
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 39,221		\$ 39,221
Subtotal Excess	<u>39,221</u>		<u>39,221</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	36,356		36,356
Executive Director	31,084		31,084
Treasurer	5,500		5,500
Other (itemize)			
Audit	7,000		7,000
Safety Management Services	3,434		3,434
Actuary	5,000		5,000
Bank Investment Fees	7,667		7,667
Miscellaneous	208		208
Subtotal Administrative	<u>96,249</u>		<u>96,249</u>
Total Expenses = 1+2	<u>\$ 135,470</u>	<u>\$ -0-</u>	<u>\$ 135,470</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 1998
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 41,215		\$ 41,215
Subtotal Excess	41,215		41,215
2. <u>Administrative Expenses</u>			
Claims Administrative Services	40,446		40,446
Executive Director	30,541		30,541
Treasurer	6,000		6,000
Other (itemize)			
Audit	7,000		7,000
Safety Management Services	7,420		7,420
Actuary	5,000		5,000
Bank Investment Fees	7,980		7,980
Miscellaneous	376		376
Subtotal Administrative	104,763		104,763
Total Expenses = 1+2	\$ 145,978	\$ -0-	\$ 145,978

Schedule F

MORRIS ESSEX INSURANCE GROUPFUND YEAR EXPENSE ANALYSISFUND YEAR - 1999JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 43,452		\$ 43,452
Subtotal Excess	<u>43,452</u>		<u>43,452</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	42,000		42,000
Executive Director	27,738		27,738
Treasurer	8,000		8,000
Other (itemize)			
Audit	7,000		7,000
Safety Management Services	6,870		6,870
Actuary	6,410		6,410
Bank Investment Fees	2,418		2,418
Miscellaneous	292		292
Subtotal Administrative	<u>100,728</u>		<u>100,728</u>
Total Expenses = 1+2	<u>\$ 144,180</u>	<u>\$ -0-</u>	<u>\$ 144,180</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2000
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 44,524		\$ 44,524
Subtotal Excess	<u>44,524</u>		<u>44,524</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	44,000		44,000
Executive Director	29,000		29,000
Treasurer	10,000		10,000
Other (itemize)			
Audit	7,000		7,000
Safety Management Services	8,000		8,000
Actuary	5,500		5,500
Bank Investment Fees	3,000		3,000
Miscellaneous	406		406
Subtotal Administrative	<u>106,906</u>		<u>106,906</u>
Total Expenses = 1+2	<u>\$ 151,430</u>	<u>\$ -0-</u>	<u>\$ 151,430</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2001
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 48,668		\$ 48,668
Subtotal Excess	<u>48,668</u>		<u>48,668</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	45,760		45,760
Executive Director	34,000		34,000
Treasurer	10,000		10,000
Other (itemize)			
Audit	81,144		81,144
Safety Management Services	9,000		9,000
Actuary	11,000		11,000
Bank Investment Fees	3,000		3,000
Miscellaneous	1,151		1,151
Subtotal Administrative	<u>195,055</u>		<u>195,055</u>
Total Expenses = 1+2	<u>\$ 243,723</u>	<u>\$ -0-</u>	<u>\$ 243,723</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2002
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 68,189		\$ 68,189
Subtotal Excess	<u>68,189</u>		<u>68,189</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	47,823		47,823
Executive Director	35,360		35,360
Treasurer	11,050		11,050
Other (itemize)			
Audit	18,500		18,500
Safety Management Services	8,752		8,752
Actuary	6,568		6,568
Bank Investment Fees	3,000		3,000
Miscellaneous	1,193		1,193
Subtotal Administrative	<u>132,246</u>		<u>132,246</u>
Total Expenses = 1+2	<u>\$ 200,435</u>	<u>\$ -0-</u>	<u>\$ 200,435</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2003
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 144,910		\$ 144,910
Subtotal Excess	<u>144,910</u>		<u>144,910</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	48,537		48,537
Executive Director	38,260		38,260
Treasurer	10,800		10,800
Other (itemize)			
Audit	19,250		19,250
Safety Management Services	9,902		9,902
Actuary	5,500		5,500
Bank Investment Fees	3,517		3,517
Miscellaneous	1,389		1,389
Subtotal Administrative	<u>137,155</u>		<u>137,155</u>
Total Expenses = 1+2	<u>\$ 282,065</u>	<u>\$ -0-</u>	<u>\$ 282,065</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2004
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 172,021		\$ 172,021
Subtotal Excess	<u>172,021</u>		<u>172,021</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	51,575		51,575
Executive Director	40,000		40,000
Treasurer	13,000		13,000
Other (itemize)			
Audit	18,018		18,018
Safety Management Services	9,915		9,915
Actuary	5,750		5,750
Bank Investment Fees			
Miscellaneous	4,879		4,879
Subtotal Administrative	<u>143,137</u>		<u>143,137</u>
Total Expenses = 1+2	<u>\$ 315,158</u>	<u>\$ -0-</u>	<u>\$ 315,158</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2005
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 164,260		\$ 164,260
Subtotal Excess	<u>164,260</u>		<u>164,260</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	54,988		54,988
Executive Director	42,000		42,000
Treasurer	13,400		13,400
Other (itemize)			
Audit	19,568		19,568
Safety Management Services	13,334		13,334
Actuary	5,500		5,500
Miscellaneous	2,243		2,243
Subtotal Administrative	<u>151,033</u>		<u>151,033</u>
Total Expenses = 1+2	<u>\$ 315,293</u>	<u>\$ -0-</u>	<u>\$ 315,293</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2006
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 162,854		\$ 162,854
Subtotal Excess	<u>162,854</u>		<u>162,854</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	64,140		64,140
Executive Director	46,000		46,000
Treasurer	13,400		13,400
Other (itemize)			
Audit	20,068		20,068
Safety Management Services	7,005		7,005
Actuary	6,400		6,400
Miscellaneous	5,850		5,850
Subtotal Administrative	<u>162,863</u>		<u>162,863</u>
Total Expenses = 1+2	<u>\$ 325,717</u>	<u>\$ -0-</u>	<u>\$ 325,717</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2007
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 176,724		\$ 176,724
Subtotal Excess	<u>176,724</u>		<u>176,724</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	63,932		63,932
Executive Director	49,638		49,638
Treasurer	13,400		13,400
Other (itemize)			
Audit	20,568		20,568
Safety Management Services	14,711		14,711
Actuary	6,000		6,000
Miscellaneous	3,000		3,000
Subtotal Administrative	<u>171,249</u>		<u>171,249</u>
Total Expenses = 1+2	<u>\$ 347,973</u>	<u>\$ -0-</u>	<u>\$ 347,973</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2008
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Reinsurance	\$ 209,826		\$ 209,826
Subtotal Excess	<u>209,826</u>		<u>209,826</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	58,877		58,877
Executive Director	48,000		48,000
Treasurer	13,400		13,400
Other (itemize)			
Audit	24,568		24,568
Safety Management Services	15,300		15,300
Actuary	6,100		6,100
Miscellaneous	6,678		6,678
Subtotal Administrative	<u>172,923</u>		<u>172,923</u>
Total Expenses = 1+2	<u>\$ 382,749</u>	<u>\$ -0-</u>	<u>\$ 382,749</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2009
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Liability	\$ 481,322		\$ 481,322
Reinsurance	153,381		153,381
Subtotal Excess	<u>634,703</u>		<u>634,703</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	61,232		61,232
Executive Director	48,960		48,960
Treasurer	11,492		11,492
Other (itemize)			
Audit	24,569		24,569
Safety Management Services	18,235		18,235
Actuary	6,400		6,400
Risk Management Fee	24,066		24,066
Miscellaneous	5,926		5,926
Subtotal Administrative	<u>200,880</u>		<u>200,880</u>
Total Expenses = 1+2	<u>\$ 835,583</u>	<u>\$ -0-</u>	<u>\$ 835,583</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2010
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Liability	\$ 493,343		\$ 493,343
Reinsurance	196,592		196,592
Subtotal Excess	<u>689,935</u>		<u>689,935</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	173,682		173,682
Executive Director	50,184		50,184
Treasurer	14,009		14,009
Other (itemize)			
Audit	17,500	\$ 10,000	27,500
Safety Management Services	16,545		16,545
Actuary	6,400		6,400
Risk Management Fee	23,909		23,909
Miscellaneous	8,534		8,534
Subtotal Administrative	<u>310,763</u>	<u>10,000</u>	<u>320,763</u>
Total Expenses = 1+2	<u>\$ 1,000,698</u>	<u>\$ 10,000</u>	<u>\$ 1,010,698</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2011
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Liability	\$ 512,820		\$ 512,820
Reinsurance	223,492		223,492
Subtotal Excess	<u>736,312</u>		<u>736,312</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	174,432		174,432
Executive Director	50,184		50,184
Treasurer	14,009		14,009
Other (itemize)			
Audit	17,500	\$ 10,000	27,500
Safety Management Services	16,545		16,545
Actuary	6,300		6,300
Risk Management Fee	25,641		25,641
Miscellaneous	10,920		10,920
Subtotal Administrative	<u>315,531</u>	<u>10,000</u>	<u>325,531</u>
Total Expenses = 1+2	<u>\$ 1,051,843</u>	<u>\$ 10,000</u>	<u>\$ 1,061,843</u>

Schedule F

MORRIS ESSEX INSURANCE GROUP
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2012
JUNE 30, 2012

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums:			
Liability	\$ 524,799		\$ 524,799
Reinsurance	229,115		229,115
Subtotal Excess	<u>753,914</u>		<u>753,914</u>
2. <u>Administrative Expenses</u>			
Claims Administrative Services	174,955		174,955
Executive Director	51,188		51,188
Treasurer	14,289		14,289
Other (itemize)			
Audit		\$ 27,500	27,500
Safety Management Services	16,876		16,876
Actuary	1,100	6,400	7,500
Risk Management Fee	26,240		26,240
Miscellaneous	9,646		9,646
Subtotal Administrative	<u>294,294</u>	<u>33,900</u>	<u>328,194</u>
Total Expenses = 1+2	<u>\$ 1,048,208</u>	<u>\$ 33,900</u>	<u>\$ 1,082,108</u>

MORRIS ESSEX INSURANCE GROUP
PROGRAM SUMMARY
FUND YEAR - 2012
JUNE 30, 2012

COVERAGE

	Worker's Compensation	Liability
1. <u>Limits</u>	Part I - Statutory Part II - Employers' Liability - \$5,000,000	
2. <u>Fund Retention</u>		
Specific	\$350,000	\$1,000,000/\$2,000,000 Zurich Insurance Company
Aggregate	\$5,119,978	
3. <u>Excess Insurers</u> (list all insurers and amount insured)		\$10,000,000 Zurich American Umbrella Includes School Board Legal
4. <u>Number of Participants</u>	19	\$50,000,000 Fireman's Fund CAP Policy
5. <u>Incurred Liabilities</u>	\$1,329,340	\$524,799
6. <u>Exposure Units</u> (Population)	\$271,308,978 Payroll	\$502,238 Payroll
7. <u>Liabilities/Unit</u>	\$0.0049	\$1.0449

MORRIS ESSEX INSURANCE GROUP
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF CASH AND INVESTMENTS
JUNE 30, 2012

<u>Bank</u>	<u>Account or Investment Number</u>	<u>Amount</u>
TD Bank	786-9292651	\$ 1,980,445
TD Bank	786-9292669	4,732
Valley National Bank	41235266	5,993,677
NJ Cash Management Fund	117-105465-171	70,046
		<hr/>
		8,048,900
Add: Deposits in Transit		2,559
Less: Outstanding Checks		(371,203)
		<hr/>
		\$ 7,680,256
		<hr/>

ANALYSIS OF EXCESS INSURANCE RECEIVABLE
JUNE 30, 2012

Due from Reinsurer	\$ 19,181
	<hr/>

MORRIS ESSEX INSURANCE GROUP
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF EXPENSES PAYABLE
JUNE 30, 2012

General and Administrative Fund:

Accounting and Auditing Services	\$	47,500
Actuarial Services		<u>6,400</u>
	\$	<u><u>53,900</u></u>

**REPORT PURSUANT TO GOVERNMENT
AUDITING STANDARDS**



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
 and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards

Board of Trustees
 Morris Essex Insurance Group
 Westwood, New Jersey

We have audited the financial statements of the Morris Essex Insurance Group (the "Pool") as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Pool's basic financial statements and have issued our report thereon dated October 29, 2012. The scope of our audit did not include the IBNR reserves. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

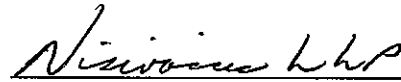
Board of Trustees
Morris Essex Insurance Group
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Commissioners, and to meet the requirements for filing with the Departments of Community Affairs and Banking and Insurance, State of New Jersey, and is not intended to be and should not be used by anyone other than these specified parties.

Mount Arlington, New Jersey
October 29, 2012


NISIVOCCIA LLP

<p>STATISTICAL SECTION</p>

MORRIS ESSEX INSURANCE GROUP
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(Unaudited)

	June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
Business-Type Activities								
Unrestricted	\$ 1,219,335	\$ 1,538,984	\$ 2,197,475	\$ 2,452,512	\$ 2,401,075	\$ 2,481,257	\$ 3,049,206	\$ 3,847,069
Total Business-Type Activities Net Assets	<u>\$ 1,219,335</u>	<u>\$ 1,538,984</u>	<u>\$ 2,197,475</u>	<u>\$ 2,452,512</u>	<u>\$ 2,401,075</u>	<u>\$ 2,481,257</u>	<u>\$ 3,049,206</u>	<u>\$ 3,847,069</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source - Insurance Pool Financial Records.

MORRIS ESSEX INSURANCE GROUP
SCHEDULE OF CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS
(Unaudited)

	Fiscal Year Ending June 30,							
	2005	2011	2007	2008	2009	2010	2011	2012
Revenue:								
Assessments from Participating School Districts	\$ 1,463,891	\$ 1,740,803	\$ 1,952,898	\$ 1,969,623	\$ 2,577,324	\$ 2,715,501	\$ 2,876,606	\$ 2,822,292
Supplemental Assessments from Participating School Districts		101,493		30,003	156,148	82,217		
Investment Income	101,339	209,700	288,777	257,169	74,793	41,500	49,578	23,279
Total Revenue	1,565,230	2,051,996	2,241,675	2,256,795	2,808,265	2,839,218	2,926,184	2,845,571
Expenses:								
Provision for Claims and Claim Adjustment Expenses	1,142,283	1,041,568	783,123	1,176,500	1,392,229	1,148,833	702,345	451,649
Insurance Premiums	192,742	162,854	176,724	209,826	634,703	689,935	736,312	753,914
Professional Fees	28,250	49,505	57,911	53,550	87,403	130,956	140,179	143,593
Administrative Expenses	68,761	49,634	59,286	54,678	53,926	8,534	13,618	9,646
Claims Administration	54,988	64,140	63,932	58,877	61,232	173,682	173,487	174,955
Total Expenses	1,487,024	1,367,701	1,140,976	1,553,431	2,229,493	2,151,940	1,765,941	1,533,757
Excess of Revenue over Expenses	78,206	684,295	1,100,699	703,364	578,772	687,278	1,160,243	1,311,814
Net Asset Distribution to Participating Members	466,629	364,646	442,208	448,327	630,209	607,096	592,294	513,951
Change in Net Assets	\$ (388,423)	\$ 319,649	\$ 658,491	\$ 255,037	\$ (51,437)	\$ 80,182	\$ 567,949	\$ 797,863

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source - Insurance Pool Financial Records.

MORRIS ESSEX INSURANCE GROUP
MEMBER GROWTH ANALYSIS - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Number of Members	18	18	18	19	20	19	19	19	19	18
Total Assessments	\$ 1,301,636	\$ 1,417,951	\$ 1,536,257	\$ 1,740,803	\$ 1,952,898	\$ 1,999,626	\$ 2,648,160	\$ 2,797,718	\$ 2,876,606	\$ 2,822,292
Total Number of Claims	264	237	272	258	238	261	275	256	256	222
Total Reported Losses	\$ 675,887	\$ 967,504	\$ 1,094,152	\$ 543,647	\$ 798,532	\$ 1,110,955	\$ 1,251,296	\$ 930,229	\$ 721,899	\$ 467,511

Source - Insurance Pool Records

MORRIS ESSEX INSURANCE GROUP
REPORTED LOSS HISTORY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012
(Unaudited)

During its years of existence, the Fund has incurred the following reported losses (paid claims plus case reserves from claims incurred by Fund members). The claims reflect both the impact of increase in membership, the delay in claims reaching the Fund's coverages, and the changes in the average cost per claim. These amounts do not include incurred but not reported ("IBNR") claim estimates.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Workers' Compensation	<u>\$ 675,887</u>	<u>\$ 967,504</u>	<u>\$1,094,152</u>	<u>\$ 543,647</u>	<u>\$ 798,532</u>	<u>\$1,110,955</u>	<u>\$1,251,296</u>	<u>\$ 930,229</u>	<u>\$ 721,899</u>	<u>\$ 467,511</u>
Total	<u>\$ 675,887</u>	<u>\$ 967,504</u>	<u>\$1,094,152</u>	<u>\$ 543,647</u>	<u>\$ 798,532</u>	<u>\$1,110,955</u>	<u>\$1,251,296</u>	<u>\$ 930,229</u>	<u>\$ 721,899</u>	<u>\$ 467,511</u>
Total number of claims	<u>264</u>	<u>237</u>	<u>272</u>	<u>258</u>	<u>238</u>	<u>261</u>	<u>275</u>	<u>256</u>	<u>256</u>	<u>222</u>
Average cost per claim	<u>\$ 2,560</u>	<u>\$ 4,082</u>	<u>\$ 4,023</u>	<u>\$ 2,107</u>	<u>\$ 3,355</u>	<u>\$ 4,257</u>	<u>\$ 4,550</u>	<u>\$ 3,634</u>	<u>\$ 2,820</u>	<u>\$ 2,106</u>

Source - Joint Insurance Fund- Third Party Claims Administrator

MORRIS ESSEX INSURANCE GROUP
REPORTED CLAIM ACTIVITY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2012
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Workers' Compensation	<u>264</u>	<u>237</u>	<u>272</u>	<u>258</u>	<u>238</u>	<u>261</u>	<u>275</u>	<u>256</u>	<u>256</u>	<u>222</u>
Total	<u>264</u>	<u>237</u>	<u>272</u>	<u>258</u>	<u>238</u>	<u>261</u>	<u>275</u>	<u>256</u>	<u>256</u>	<u>222</u>
Claims Settled in Full	263	236	271	258	237	258	272	254	244	182
Claims Pending	<u>1</u>	<u>1</u>	<u>1</u>		<u>1</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>12</u>	<u>40</u>
Total	<u>264</u>	<u>237</u>	<u>272</u>	<u>258</u>	<u>238</u>	<u>261</u>	<u>275</u>	<u>256</u>	<u>256</u>	<u>222</u>

Source - Loss Year Summary Report Inservco Incorporated