

**New Jersey Cyber
Risk Management Fund**
Parsippany, New Jersey

Annual Comprehensive Financial Report
For the Year Ended December 31, 2024

NEW JERSEY CYBER RISK MANAGEMENT FUND
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INTRODUCTORY SECTION



New Jersey Cyber Risk Management Fund

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Parsippany, New Jersey 07054-4412

Tel (201) 881-7632

Fax (201) 881-7633

May 16, 2025

Executive Committee
New Jersey Cyber Risk Management Fund
9 Campus Drive, Suite 216
Parsippany, NJ 07054

Dear Executive Committee Members:

The Annual Comprehensive Financial Report (ACFR) of the New Jersey Cyber Risk Management Fund (CYBER JIF) for the year ended December 31, 2024 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 CYBER JIF. We believe the data, as presented, are accurate in all material respects; that they are presented in a manner designed to fairly set forth the financial position and results of the operations of the CYBER JIF 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 CYBER JIF's financial affairs have been included.

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section contains this transmittal letter, a list of the CYBER JIF's members, a list of the CYBER JIF's officers and an organizational chart. The financial section includes a management discussion and analysis of financial results and trends, the financial statements, as well as the independent auditors' opinion on the financial statements. 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 CYBER JIF. The statistical section includes selected data covering each of the years that the CYBER JIF has been operational.

The CYBER JIF was formed under State statutes which authorize local government entities to pool resources to meet risk management needs. Specifically, the CYBER JIF administers a program of self funding that provides protection to members in the area of cyber risks. In performing this mission, the CYBER JIF also contracts for support services such as claims and litigation management, loss control services and training, financial management and reporting, actuarial services, and general management.

Economic Conditions and Outlook

The CYBER JIF's economic condition and outlook is strong. The CYBER JIF has provided its members with stable assessments, a growing financial surplus, comprehensive insurance, and responsive service. These factors have resulted in growth and stability in membership which is expected to continue in the future.

CYBER JIF Initiatives

The formation of the New Jersey Cyber Risk Management Fund was in response the significant increase in cyber-attacks against New Jersey local government. Initially, the member JIFs purchased commercial policies. Eventually, the renewal of commercial policies included significant increase in member retentions (deductibles).

As a result, this risk was transferred to the Municipal Excess Liability Joint Insurance Fund – where the MEL funded the member retention and managed the member deductible based on compliance with a loss control program.

The Cyber JIF formed to be in a better position to help members with some of the requirements necessary for a Cyber Risk Control Program – which strengthened the JIF’s position in the commercial market.

The Cyber JIF then formed a Risk Control Sub-committee and began the process of determining which services to provide members in the first year. Having decided to provide access to “phishing & training” and “external scanning”– the Risk Control Committee then released RFPs, conducted interviews and awarded contracts to D2 Cybersecurity in September and began the process.

In 2024 the Fund formed a Claims Review Committee to discuss Payment Authorization Requests (PARs) and offer recommendations to the Board for approval. The Risk Control sub-committee’s charge was expanded to include review of contracts and coverage. Committee title was changed to Operations Committee.

. The sub-committees provide in-depth review of their areas of focus and provide recommendations to the Board for final action as they see fit. The involvement of the Commissioners is strong and provides thoughtful direction as the Fund continues to grow and evolve.

Risk controls of training and phishing exercises, and external vulnerability scanning are services continued to the members. Changes requested by the membership were made to the training program to provide two thirty minute training sessions within a 12 month period.

Using the data collected in a member wide survey and the help of Chertoff Group, a cyber risk consulting firm, the Underwriting Manager updated the Cyber Compliance Framework from two levels to three levels. The program offers sizable savings in deductibles for each level achieved. The ‘Basic’ level of compliance provides steps to avoid the most common types of cyber claims.

The Underwriting Manager identified a potential exposure for members that offer technology services to other public entities. A survey was issued to members to determine how many members had this exposure and provided information to approach the market for coverages.

Financial Management and Control

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board and necessarily include amounts based upon reliable estimates and judgments. The CYBER JIF'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.

Internal Accounting Structure

The CYBER JIF's accounting system is organized so that each membership year, and line of coverage within each year, can be evaluated separately. The assets, liabilities, revenues, and expenses of each year and line of coverage are reported separately on a full accrual basis. This practice is necessary because the composition of the CYBER JIF's membership, and the extent of participation within each line of coverage, varies from year to year.

The CYBER JIF'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 system data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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 CYBER JIF's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Assessments

The allocation of assessments is based upon each member's population. This factor generates percentages that are applied against the Fund's budget to determine member premiums. Both the budget and assessments are approved by the Executive Committee. Dividends and additional assessments are derived based upon each member's proportional share of assessments by fund year and line of coverage. The Fund has implemented a strategy of retaining surplus with the objective of stabilizing future assessments.

Investment Management

As of December 31, 2024, the CYBER JIF's portfolio consisted of the following:

Checking Accounts	\$5,583,554	100%
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Independent Audit

Nisivoccia LLP, independent accountants, provide an independent, objective review of the fairness of the CYBER JIF'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 opinion is included in the financial section of this report.

Acknowledgments

Our appreciation is also extended to each CYBER JIF commissioner, and particularly to Executive and Advisory Committee members, for their commitment to risk management and intergovernmental risk pooling.

Respectfully submitted,

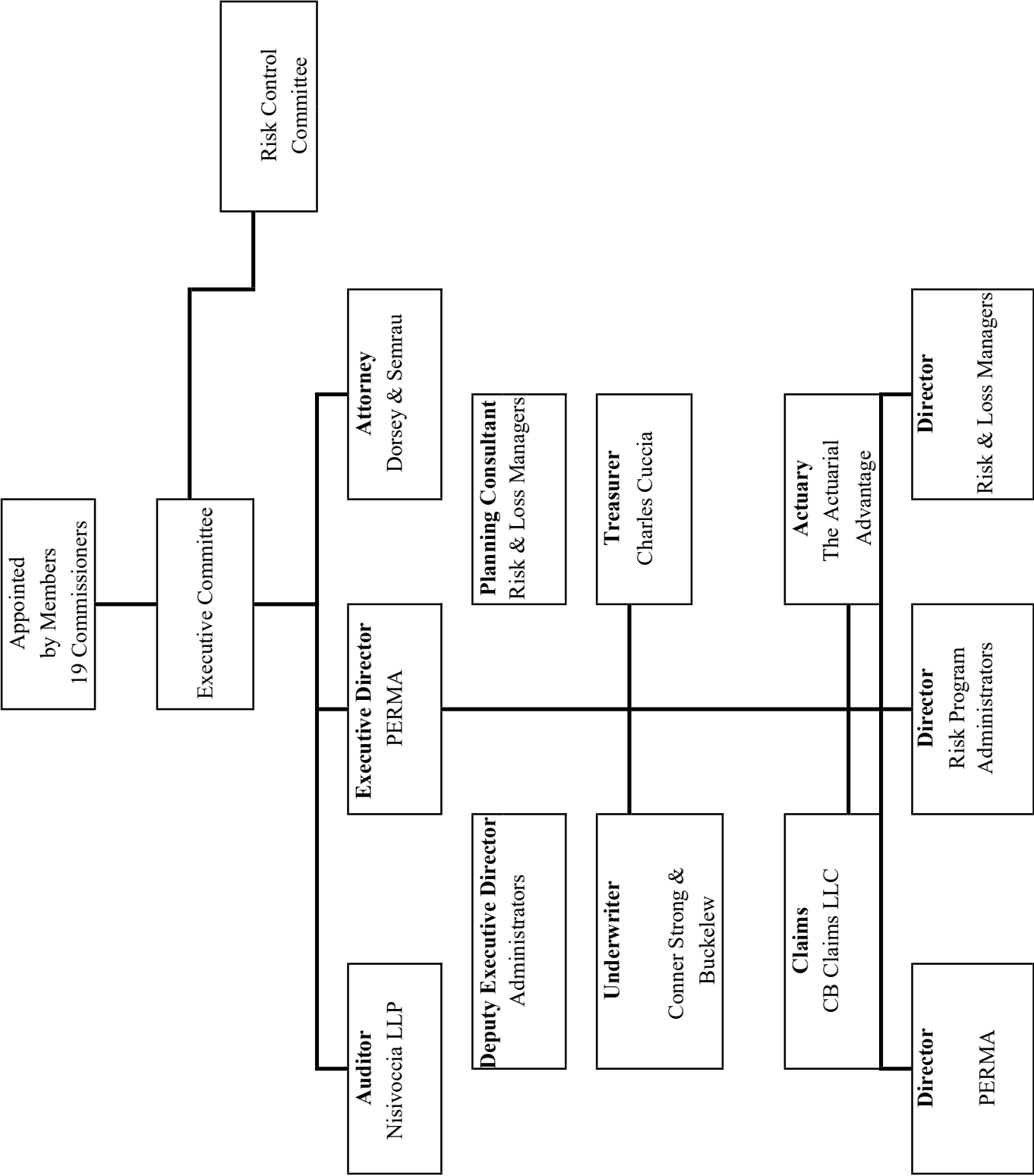
Joseph P. Hrubash

Joseph P. Hrubash, Executive Director

NEW JERSEY CYBER RISK MANAGEMENT FUND
ROSTER OF OFFICIALS AND CONSULTANTS
DECEMBER 31, 2024

Joy Tozzi	Fund Chairwoman
Adam Brewer	Fund Secretary
Megan Champney Kwesela	Fund Commissioner
Jim Gant	Fund Commissioner
Joseph Wolk	Fund Commissioner
Bernard Rutkowski	Fund Commissioner
Mark Shrieks	Fund Commissioner
James Pacanowski	Fund Commissioner
Ted Preusch	Fund Commissioner
Meghan Jack	Fund Commissioner
Casey Wagner	Fund Commissioner
Matthew Martin	Fund Commissioner
Diane Lapp	Fund Commissioner
Frank Elenio	Fund Commissioner
John Clarke	Fund Commissioner
Susan Danson	Fund Commissioner
Jim Ulrich	Fund Commissioner
Vincent Quatrone	Fund Commissioner
Michael Raze	Fund Commissioner
Perma Risk Management Services	Administrator
Joseph P. Hrubash	Executive Director
Cathleen Kiernan	Assistant Executive Director
AJG Risk Program Administrators	Deputy Executive Director
Risk & Loss Managers	Planning Consultant
Charles Cuccia	Treasurer
Dorsey & Semrau, Esqs.	Attorney
Nisivoccia LLP	Auditor
The Actuarial Advantage	Actuary
CB Botta & Associates	Claims Administrators
Conner Strong & Buckelew	Underwriting Manager
Perma Risk Management Services	Local Executive Director
AJG Risk Program Administrators	Local Executive Director
Risk & Loss Managers	Local Executive Director

NEW JERSEY CYBER RISK MANAGEMENT FUND
2024 ORGANIZATIONAL CHART



NEW JERSEY CYBER RISK MANAGEMENT FUND
MEMBERSHIP LISTING
AS OF DECEMBER 31, 2024

Atlantic County Municipal Joint Insurance Fund (41 Municipalities)

Bergen County Municipal Joint Insurance Fund (38 Municipalities)

Burlington County Municipal Joint Insurance Fund (28 Municipalities)

Camden County Municipal Joint Insurance Fund (38 Members)

Central Jersey Joint Insurance Fund (16 Municipalities)

Gloucester/Salem/Cumberland Counties Municipalities Joint Insurance Fund (38 Municipalities)

Mid Jersey Municipal Joint Insurance Fund (13 Municipalities)

Monmouth Municipal Joint Insurance Fund (45 Municipalities)

Morris County Municipal Joint Insurance Fund (45 Municipalities)

New Jersey First Responders Joint Insurance Fund (35 Districts)

New Jersey Public Housing Authorities Joint Insurance Fund (90 Authorities)

New Jersey Self Insurers' Joint Insurance Fund (4 Municipalities and 1 Regional Fire and Rescue Squad)

New Jersey Utility Authorities Joint Insurance Fund (72 Authorities)

Ocean County Municipal Joint Insurance Fund (31 Municipalities)

Professional Municipal Management Joint Insurance Fund (4 Municipalities)

Public Alliance Insurance Coverage Fund (20 Municipalities and 1 County)

South Bergen Municipal Joint Insurance Fund (23 Municipalities)

Suburban Metro Municipal Joint Insurance Fund (formerly Suburban Essex) - (11 Member Entities)

Suburban Municipal Joint Insurance Fund (12 Municipalities)

FINANCIAL SECTION



Independent Auditors' Report

The Honorable Chairperson and Members
of the Executive Committee
New Jersey Cyber Risk Management Fund
Parsippany, New Jersey

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the New Jersey Cyber Risk Management Fund (the "Fund") as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of December 31, 2024 and 2023, and the changes in financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

The Honorable Chairperson and Members
of the Board of Fund Commissioners
New Jersey Cyber Risk Management Fund
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

The Honorable Chairperson and Members
of the Board of Fund Commissioners
New Jersey Cyber Risk Management Fund
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Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, supplementary data schedules and the statistical section but does not include the financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2025 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
May 16, 2025

Nisiovocia LLP

NEW JERSEY CYBER RISK MANAGEMENT FUND
Management Discussion and Analysis

This section of the annual financial report of the Fund presents a discussion and analysis of the financial performance of the Fund for the years ended December 31, 2024 and 2023. The Fund was formed effective January 1, 2023. 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 Fund'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 Fund is to provide coverage for cyber risks for joint insurance funds that are members of the Fund. The Fund 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 Position – This statement presents information reflecting the Fund's assets, liabilities, deferred outflows and inflows of resources and net position. Net position represents the amount of total assets and deferred outflows of resources less total liabilities and deferred inflows of resources.

Statement of Revenue, Expenses, and Changes in Net Position – This statement reflects the Fund's operating revenues and expenses, as well as non-operating items during the reporting period. The change in net position 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 and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Financial Highlights

The following tables summarize the financial position and results of operations for the Fund as of and for the years ended December 31, 2024 and 2023.

SUMMARY OF STATEMENT OF NET POSITION

	2024	2023	24/23 Percent Change
ASSETS:			
Cash and Cash Equivalents	\$ 5,583,554	\$ 3,206,698	74.12%
Excess Insurance Receivable		51,275	-100.00%
Assessments Receivable	587,882	25,446	2210.31%
Total	<u>6,171,436</u>	<u>3,283,419</u>	87.96%
LIABILITIES:			
Other Liabilities	54,269	125,255	-56.67%
Loss Reserves	2,243,435	1,248,282	79.72%
Total	<u>2,297,704</u>	<u>1,373,537</u>	67.28%
NET POSITION:			
Unrestricted	3,873,732	1,909,882	102.83%
NET POSITION	<u><u>\$ 3,873,732</u></u>	<u><u>\$ 1,909,882</u></u>	102.83%

SUMMARY OF STATEMENT OF REVENUE,
EXPENSES, AND CHANGES IN NET POSITION

	2024	2023	24/23 Percent Change
Operating Revenue:			
Assessments from Members	\$ 6,469,574	\$ 6,308,167	2.56%
Total Operating Revenue	6,469,574	6,308,167	2.56%
Operating Expenses:			
Provision for Claims & Claims Expense	1,092,065	1,883,129	-42.01%
Insurance Premiums	2,445,290	1,911,524	27.92%
Administrative and Operating Expenses	1,189,143	714,887	66.34%
Total Operating Expenses	4,726,498	4,509,540	4.81%
Operating Income/(Loss)	1,743,076	1,798,627	-3.09%
Non-Operating Revenue/(Expense):			
Investment Income	220,774	111,255	98.44%
Change in Net Position	\$ 1,963,850	\$ 1,909,882	2.83%

The Fund's total assets were \$6,171,436, the liabilities were \$2,297,704, with net position of \$3,873,732 at December 31, 2024. In its second year of operation, the Fund has established a healthy financial position.

Total assessments for 2024 were \$6,469,574 and operating expenses were \$4,726,498 resulting in operating income of \$1,743,076. Investment income for the year was \$220,774.

The Fund's financial position is impacted by cyber awareness, policies and procedures of its members and the increasing risks of cybersecurity attacks. The Fund provides resources to its members to lessen potential exposure or loss resulting from a cyberattack or data breach.

BASIC FINANCIAL STATEMENTS

NEW JERSEY CYBER RISK MANAGEMENT FUND
STATEMENT OF NET POSITION

	December 31	
	2024	2023
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 5,583,554	\$ 3,206,698
Excess Insurance Receivable		51,275
Assessments Receivable	587,882	25,446
Total Assets	6,171,436	3,283,419
<u>LIABILITIES:</u>		
Accounts Payable - Vendors	27,229	125,255
Excess Insurance Reimbursement Payable	27,040	
Loss Reserves	2,243,435	1,248,282
Total Liabilities	2,297,704	1,373,537
<u>NET POSITION:</u>		
Unrestricted	3,873,732	1,909,882
Total Net Position	\$ 3,873,732	\$ 1,909,882

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

NEW JERSEY CYBER RISK MANAGEMENT FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

	Year Ending December 31	
	2024	2023
Operating Revenue:		
Assessments from Participating Members	\$ 6,469,574	\$ 6,308,167
Total Operating Revenue	6,469,574	6,308,167
Operating Expenses:		
Provision for Claims and Claim Adjustment Expense (Net of Reinsurance of \$250,000, 2023)	1,092,065	1,883,129
Insurance Premiums	2,445,290	1,911,524
Claims Administration	31,500	34,000
Contractual Services	1,138,231	648,686
Non-Contractual Services	15,703	19,797
Administration	3,709	12,404
Total Operating Expenses	4,726,498	4,509,540
Operating Income	1,743,076	1,798,627
Non-operating Revenue/(Expenses):		
Investment Income	220,774	111,255
Change in Net Position	1,963,850	1,909,882
Net Position - Beginning of Year	1,909,882	-0-
Net Position - End of Year	\$ 3,873,732	\$ 1,909,882

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

NEW JERSEY CYBER RISK MANAGEMENT FUND
STATEMENT OF CASH FLOWS

	Year Ending December 31	
	2024	2023
Cash Flows from Operating Activities:		
Assessments Collected	\$ 5,907,138	\$ 6,282,721
Excess Insurance Reimbursement	27,040	
Refunds Received	24,235	
Insurance Premiums Paid	(2,450,154)	(1,906,660)
Claims Paid	(69,872)	(686,122)
General and Administrative Expenses Paid	(1,282,305)	(594,496)
Net Cash Provided by Operating Activities	2,156,082	3,095,443
Cash Flows from Investing Activities:		
Investment Income	220,774	111,255
Net Cash Provided/(Used) by Investing Activities	220,774	111,255
Net Increase/(Decrease) in Cash and Cash Equivalents	2,376,856	3,206,698
Cash and Cash Equivalents - Beginning of Year	3,206,698	-0-
Cash and Cash Equivalents - End of Year	\$ 5,583,554	\$ 3,206,698
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,743,076	\$ 1,798,627
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets:		
Excess Insurance Receivable	51,275	(51,275)
Assessments Receivable	(562,436)	(25,446)
Increase/(Decrease) in Liabilities:		
Accounts Payable	(98,026)	125,255
Excess Insurance Reimbursement Payable	27,040	
Loss Reserves	995,153	1,248,282
Net Cash Provided by Operating Activities	\$ 2,156,082	\$ 3,095,443

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

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1: NATURE OF OPERATIONS

The New Jersey Cyber Risk Management Fund (the "Fund") was created and became operational on January 1, 2023, in accordance with P.L. 1983, C.372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of joint insurance funds established for the purpose of providing low cost insurance coverage for the member joint insurance funds in order to keep local premiums at a minimum.

The following coverage is offered by the Fund to its members:

a) Cyber Risk

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

A participating member must remain in the Fund for the full term of membership unless terminated earlier by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for nonpayment of assessments or continued noncompliance after written notice to comply with the bylaws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's bylaws. The Fund has 19 members at December 31, 2024, all of which are joint insurance funds.

The Executive Director/Administrator is responsible for the overall administration of the Fund. Fees paid to the Executive Director encompass all administrative duties which are performed at the Executive Director's office. Accordingly, the Fund generally does not maintain any capital 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 Fund's accounting policies are described below.

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Continued)

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

Reporting Entity (Cont'd)

individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The combined financial statements include all funds of the Fund over which the Fund 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 Fund is not includable in any other reporting entity on the basis of such criteria.

Basis of Accounting

The Fund utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. The Fund utilizes total economic resources as their measurement focus.

Investments

The Fund generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Income Taxes

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

Assessments

The gross claim fund assessment is determined by the Actuary and, when combined with expense and premium projections, constitutes the Fund's budget. Assessments for participating joint insurance funds are determined by underwriting criteria established by the Executive Committee.

Unpaid Claims Liabilities

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

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Continued)

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

Reinsurance

The Fund uses reinsurance agreements to reduce its exposure to large losses on certain types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks reinsured. The Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Reinsurance premiums amounted to \$4,356,814 for the year ended December 31, 2024. The amount deducted from claims liabilities for reinsurance was \$-0- for the year ended December 31, 2024.

Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: LOSS RESERVES

The liability for unpaid losses and loss adjustment expense represent an estimate of the ultimate net cost of all losses and loss adjustment expenses incurred but not yet paid as of December 31, 2024. This estimate is based on the estimated ultimate cost of settling the claims considering the historical experience of the Fund, various other industry statistics, including the effects of inflation and other societal or economic factors, and the Fund's self-insured retention level. Management believes that the liability for unpaid losses is adequate to cover the ultimate cost of reported and unreported claims incurred but not yet paid. However, the ultimate cost may be more or less than the estimated liability. The Fund has created a loss reserve for any reported and potential unreported losses which have taken place but in which the Fund has not received notices or reports of losses. Loss reserves at December 31, 2024, which have been estimated by the Fund's Actuary and Claims Servicing Agent, are as follows:

	2024	2023
Case Reserves	\$ 825,765	\$ 331,381
Losses Incurred but not Reported	1,417,670	916,901
Total Loss Reserves	<u>\$ 2,243,435</u>	<u>\$ 1,248,282</u>
The following represents changes in the aggregate reserves for the Fund:		
	2024	2023
Unpaid Claims and Claim Adjustment Expenses, Beginning of Year	<u>\$ 1,248,282</u>	<u>\$ -0-</u>
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of the Current Period	2,063,927	1,883,129
(Decrease) in Provision for Insured Events of Prior Years	(971,862)	
Total Incurred Claims and Claim Adjustment Expenses	<u>1,092,065</u>	<u>1,883,129</u>
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Period	175,649	634,847
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	(105,777)	
Total Payments	<u>69,872</u>	<u>634,847</u>
Total Unpaid Claims and Claim Adjustment Expenses, End of Year	<u>\$ 2,270,475</u>	<u>\$ 1,248,282</u>

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Continued)

NOTE 3: LOSS RESERVES (Cont'd)

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 its obligations to the Fund under existing reinsurance agreements.

NOTE 4: CASH AND CASH EQUIVALENTS

GASB, requires disclosure of the level of custodial credit risk assumed by the Fund 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 Fund 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 Fund limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in Note 5.

Custodial Credit Risk - The Fund's policy with respect to custodial credit risk requires that the Fund ensure that funds are only deposited in financial institutions in which New Jersey Joint Insurance Funds are permitted to invest their funds.

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and, in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

As of December 31, 2024, cash and cash equivalents of the Fund consisted of checking accounts.

The carrying amount of the Fund's cash at cost at December 31, 2024 was \$5,583,554 and the bank balance was \$5,607,254.

The carrying amount of the Fund's cash at cost at December 31, 2023 was \$3,206,698 and the bank balance was \$3,289,588.

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Continued)

NOTE 5: INVESTMENTS

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

- (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;
- (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 the local unit or bonds or other obligations of school districts of which the local unit is a 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, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (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 section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- (9) Debt obligations of federal agencies or government corporations with maturities not to exceed 10 years from the date of purchase, excluding mortgage backed or derivative obligations, provided that the investments are purchased through the State Division of Investment and are invested consistent with the rules and regulations of the State Investment Council.

NEW JERSEY CYBER RISK MANAGEMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024
(Continued)

NOTE 5: INVESTMENTS (Cont'd)

The Fund did not have any investments at December 31, 2024.

NOTE 6: NET POSITION

The State of New Jersey has no statutory minimum net position requirements.

NOTE 7: CONTINGENT LIABILITIES

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

NOTE 8: RELATIONSHIP WITH STATE SCHEDULES

The information in the Fund'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.

NOTE 9: SUBSEQUENT EVENTS

While there are many issues that are increasing claims cost for New Jersey public entities, management is confident that the Municipal Excess Liability Joint Insurance Fund and its affiliated JIFs are in a strong position because of decades of conservative financial practices. Management continues to evaluate the impact of the COVID 19 pandemic on workers' compensation. Workers' compensation claims are also expected to increase because of recent changes in the public employee pension plans that will reduce the plans' contribution in total disability claims. Fortunately, Municipal Excess Liability Joint Insurance Fund members are experiencing a lower rate of other employee accidents because of improved safety programs. Liability claims are increasing because of the recent change in the statute of limitations for sexual molestation lawsuits and the reluctance of the NJ Court System to grant summary judgements when Title 59 immunities should apply. Fortunately, the rates for excess and reinsurance appear to be stabilizing.

COMBINING SUPPLEMENTARY SCHEDULES

NEW JERSEY CYBER RISK MANAGEMENT FUND
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2024

<u>ASSETS:</u>	Fund Year		Total
	2023	2024	
Cash and Cash Equivalents	\$ 3,030,703	\$ 2,552,851	\$ 5,583,554
Assessments Receivable	327,077	260,805	587,882
Total Assets	3,357,780	2,813,656	6,171,436
 <u>LIABILITIES :</u>			
Current Liabilities:			
Accounts Payable		27,229	27,229
Excess Insurance Reimbursement Payable	27,040		27,040
Loss Reserves	355,158	1,888,277	2,243,435
Total Liabilities	382,198	1,915,506	2,297,704
 <u>NET POSITION:</u>			
Unrestricted/(Deficit)	2,975,582	898,150	3,873,732
Total Net Position/(Deficit)	\$ 2,975,582	\$ 898,150	\$ 3,873,732

NEW JERSEY CYBER RISK MANAGEMENT FUND
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDING DECEMBER 31, 2024

	Fund Year		Total
	2023	2024	
Revenue:			
Assessments from Participating Members		\$ 6,469,574	\$ 6,469,574
Total Revenue		6,469,574	6,469,574
Expenses:			
Provision for Claims and Claim Adjustment Expense	\$ (971,862)	2,063,927	1,092,065
Insurance Premiums		2,445,290	2,445,290
Claims Administration		31,500	31,500
Contractual Services	30,000	1,108,231	1,138,231
Non-Contractual Services		15,703	15,703
Administration		3,709	3,709
Total Expenses	(941,862)	5,668,360	4,726,498
Operating Income/(Loss)	941,862	801,214	1,743,076
Non-operating Revenue:			
Investment Income	123,838	96,936	220,774
Change in Net Position	1,065,700	898,150	1,963,850
Net Position/(Deficit) - Beginning of Year	1,909,882	-0-	1,909,882
Net Position/(Deficit) - End of Year	\$ 2,975,582	\$ 898,150	\$ 3,873,732

REQUIRED SUPPLEMENTARY INFORMATION

NEW JERSEY CYBER RISK MANAGEMENT FUND
RECONCILIATION OF CLAIMS LIABILITIES BY FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ 1,248,282	\$ -0-
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current period	2,063,927	1,883,129
Increases/(decreases) in provision for insured events of prior years	<u>(971,862)</u>	<u> </u>
Total incurred claims and claim adjustment expenses	<u>1,092,065</u>	<u>1,883,129</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current period	175,649	634,847
Claims and claim adjustment expenses attributable to insured events of prior years	<u>(105,777)</u>	<u> </u>
Total payments	<u>69,872</u>	<u>634,847</u>
Total unpaid claims and claim adjustment expenses at end of year	<u><u>\$ 2,270,475</u></u>	<u><u>\$ 1,248,282</u></u>

NEW JERSEY CYBER RISK MANAGEMENT FUND
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION

	Fiscal Period Ended December 31, 2024 and Policy Period Ended December 31,	
	2023	2024
Required contribution and investment revenue		
Earned	\$ 6,543,260	\$ 6,566,510
Ceded	1,911,524	2,445,290
	<u>4,631,736</u>	<u>4,121,220</u>
Unallocated expenses	<u>744,887</u>	<u>1,159,143</u>
Estimated claims and expenses, end of policy year		
Incurred	2,133,129	2,063,927
Ceded	250,000	
Net Incurred	<u>1,883,129</u>	<u>2,063,927</u>
Paid (cumulative) as of:		
End of policy year	634,847	175,649
One year later	556,110	
Reestimated ceded claims and expenses	24,235	
Reestimated incurred claims and expenses:		
End of policy year	1,883,129	2,063,927
One year later	911,267	
Increase/(decrease) in estimated incurred claims and expense from end of policy year	<u>\$ (971,862)</u>	<u>\$ -0-</u>

Note - 2023 is the initial year of the Fund, as the Fund matures additional years will be added until reaching the required ten years of information.

**SUPPLEMENTARY DATA
(UNAUDITED)**

NEW JERSEY CYBER RISK MANAGEMENT FUND
HISTORICAL OPERATING RESULTS ANALYSIS

ALL FUND YEARS
DECEMBER 31, 2024
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$ 12,777,741		
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 12,777,741
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid	755,994		
Case Reserves	825,765		
IBNR Reserve	1,417,670		
Subtotal		\$ 2,999,429	
Less Excess Insurance:			
Received	24,235		
Receivable			
Recoverable			
Subtotal		24,235	
Limited Incurred Claims (claims-excess)		2,975,194	
<u>Expenses:</u>			
Excess Insurance Premiums	4,356,814		
Administrative	1,904,030		
Subtotal Expenses		6,260,844	
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			9,236,038
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			3,541,703
4. <u>Investment Income (Earned)</u>			332,029
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			3,873,732
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 3,873,732

NEW JERSEY CYBER RISK MANAGEMENT FUND
HISTORICAL BALANCE SHEET
ALL FUND YEARS
DECEMBER 31, 2024
(UNAUDITED)

1. Assets:

Cash and Investments (1)	\$ 5,583,554		
		\$ 5,583,554	
<u>Receivables (1):</u>			
Excess Insurance			
Assessments	587,882		
Other			
Total Receivables		587,882	
Prepaid Expenses (1)			
Other Assets (1)			
ANAI Capital Assets (Land)			
<u>Total Assets</u>			\$ 6,171,436

2. Liabilities:

Claims:

Case Reserves	825,765		
IBNR Reserve (2)	1,417,670		
Subtotal Claims		2,243,435	

Expenses (unpaid) (1):

Excess Insurance	27,040		
Administrative	27,229		
Subtotal Expenses		54,269	

Other Liabilities:

Unearned Contributions			
Authorized Return of Surplus			
Deferred Revenue (1)			
Miscellaneous Liabilities (1)			
Subtotal			

<u>Total Liabilities</u>			2,297,704
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NET CURRENT SURPLUS/(DEFICIT) = 1-2			\$ 3,873,732
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Notes: (1) attach schedule itemizing these categories
(2) attach an opinion from the actuary

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2023
DECEMBER 31, 2024
(UNAUDITED)

1. <u>Underwriting Income:</u>			
Regular Contributions (earned)	\$	6,308,167	
Supplemental Contributions			
Other Income (except investments)			
Total Income			\$ 6,308,167
2. <u>Incurred Liabilities:</u>			
<u>Claims:</u>			
Paid		580,345	
Case Reserves		224,844	
IBNR Reserve		130,313	
Subtotal			\$ 935,502
Less Excess Insurance:			
Received		24,235	
Receivable			
Recoverable			
Subtotal			24,235
Limited Incurred Claims (claims-excess)			911,267
<u>Expenses:</u>			
Excess Insurance Premiums		1,911,524	
Administrative		744,887	
Subtotal Expenses			2,656,411
<u>Total Incurred Liabilities</u>			
(limited claims and expenses)			3,567,678
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>			2,740,489
4. <u>Investment Income (Earned)</u>			235,093
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>			2,975,582
6. <u>Return of Surplus:</u>			
Paid			
Authorized and Unpaid			
Subtotal Return of Surplus			
7. <u>Net Current Surplus/(Deficit) = 5-6</u>			\$ 2,975,582

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR OPERATING RESULTS ANALYSIS
FUND YEAR - 2024
DECEMBER 31, 2024
(UNAUDITED)

1. <u>Underwriting Income:</u>		
Regular Contributions (earned)	\$ 6,469,574	
Supplemental Contributions		
Other Income (except investments)		
Total Income		\$ 6,469,574
2. <u>Incurred Liabilities:</u>		
<u>Claims:</u>		
Paid	175,649	
Case Reserves	600,921	
IBNR Reserve	1,287,357	
Subtotal		\$ 2,063,927
Less Excess Insurance:		
Received		
Receivable		
Recoverable		
Subtotal		
Limited Incurred Claims (claims-excess)		2,063,927
<u>Expenses:</u>		
Excess Insurance Premiums	2,445,290	
Administrative	1,159,143	
Subtotal Expenses		3,604,433
<u>Total Incurred Liabilities</u>		
(limited claims and expenses)		5,668,360
3. <u>Underwriting Surplus/(Deficit) = 1-2</u>		801,214
4. <u>Investment Income (Earned)</u>		96,936
5. <u>Gross Operating Surplus/(Deficit) = 3+4</u>		898,150
6. <u>Return of Surplus:</u>		
Paid		
Authorized and Unpaid		
Subtotal Return of Surplus		
7. <u>Net Current Surplus/(Deficit) = 5-6</u>		\$ 898,150

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS
FUND YEAR - 2023
DECEMBER 31, 2024
 (UNAUDITED)

	<u>Coverages</u>		<u>General and</u>	
	<u>Cyber</u>	<u>Contingency</u>	<u>Administrative</u>	<u>Total</u>
	<u>Risk</u>			
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 4,435,662		\$ 1,872,505	\$ 6,308,167
Supplemental Contributions				
Other Income (except investments)				
Total Income	<u>4,435,662</u>	<u></u>	<u>1,872,505</u>	<u>6,308,167</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	911,267			911,267
Expenses	<u>1,911,524</u>	<u></u>	<u>744,887</u>	<u>2,656,411</u>
Total Liabilities	<u>2,822,791</u>	<u></u>	<u>744,887</u>	<u>3,567,678</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>1,612,871</u>	<u></u>	<u>1,127,618</u>	<u>2,740,489</u>
4. <u>Adjustments</u>				
Investment Income	154,369		80,724	235,093
Transfers				
Total Adjustments	<u>154,369</u>	<u></u>	<u>80,724</u>	<u>235,093</u>
5. Gross Operating Surplus/(Deficit)	<u>1,767,240</u>	<u></u>	<u>1,208,342</u>	<u>2,975,582</u>
6. Return of Surplus	<u></u>	<u></u>	<u></u>	<u></u>
7. Net Current Surplus/(Deficit)	<u>\$ 1,767,240</u>	<u>\$ -0-</u>	<u>\$ 1,208,342</u>	<u>\$ 2,975,582</u>

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR ACCOUNT OPERATING RESULTS ANALYSIS

FUND YEAR - 2024

DECEMBER 31, 2024

(UNAUDITED)

	<u>Coverages</u>			
	<u>Cyber</u>	<u>Contingency</u>	<u>General and</u>	<u>Total</u>
	<u>Risk</u>		<u>Administrative</u>	
1. <u>Underwriting Income</u>				
Regular Contributions (earned)	\$ 4,571,430		\$ 1,898,144	\$ 6,469,574
Supplemental Contributions				
Other Income (except investments)				
Total Income	<u>4,571,430</u>		<u>1,898,144</u>	<u>6,469,574</u>
2. <u>Incurred Liabilities</u>				
Claims (limited incurred)	2,063,927			2,063,927
Expenses	<u>2,445,290</u>		<u>1,159,143</u>	<u>3,604,433</u>
Total Liabilities	<u>4,509,217</u>		<u>1,159,143</u>	<u>5,668,360</u>
3. <u>Underwriting Surplus/(Deficit)</u>	<u>62,213</u>		<u>739,001</u>	<u>801,214</u>
4. <u>Adjustments</u>				
Investment Income	64,875		32,061	96,936
Transfers				
Total Adjustments	<u>64,875</u>		<u>32,061</u>	<u>96,936</u>
5. Gross Operating Surplus/(Deficit)	<u>127,088</u>		<u>771,062</u>	<u>898,150</u>
6. Return of Surplus				
7. Net Current Surplus/(Deficit)	<u>\$ 127,088</u>	<u>\$ -0-</u>	<u>\$ 771,062</u>	<u>\$ 898,150</u>

NEW JERSEY CYBER RISK MANAGEMENT FUNDFUND YEAR CLAIMS ANALYSISFUND YEAR - 2023DECEMBER 31, 2024

(UNAUDITED)

	<u>Coverages</u> <u>Cyber</u> <u>Risk</u>	<u>Total</u>
Paid Claims	\$ 580,345	\$ 580,345
Case Reserves	224,844	224,844
IBNR Reserve	<u>130,313</u>	<u>130,313</u>
Subtotal	<u>935,502</u>	<u>935,502</u>
Excess Insurance:		
Received	24,235	24,235
Receivable		
Recoverable		
Subtotal	<u>24,235</u>	<u>24,235</u>
Incurred Claims	<u>911,267</u>	<u>\$ 911,267</u>
Number of Claims	12	
Cost/Claim	<u>\$ 75,939</u>	

NEW JERSEY CYBER RISK MANAGEMENT FUNDFUND YEAR CLAIMS ANALYSISFUND YEAR - 2024DECEMBER 31, 2024

(UNAUDITED)

	<u>Coverages</u> <u>Cyber</u> <u>Risk</u>	<u>Total</u>
Paid Claims	\$ 175,649	\$ 175,649
Case Reserves	600,921	600,921
IBNR Reserve	<u>1,287,357</u>	<u>1,287,357</u>
Subtotal	<u>2,063,927</u>	<u>2,063,927</u>
Excess Insurance:		
Received		
Receivable		
Recoverable	<u> </u>	<u> </u>
Subtotal	<u> </u>	<u> </u>
Incurred Claims	<u>2,063,927</u>	<u><u>\$ 2,063,927</u></u>
Number of Claims	20	
Cost/Claim	<u><u>\$ 103,196</u></u>	

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2023
DECEMBER 31, 2024
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums	\$ 1,911,524		\$ 1,911,524
Subtotal Excess Insurance	1,911,524		1,911,524
2. <u>Administrative Expenses</u>			
Administrative Fees	240,476		240,476
Claims Adjuster	34,000		34,000
Legal	50,000		50,000
Treasurer	25,000		25,000
Other (Itemize):			
Actuary	25,000		25,000
Cyber Consulting	60,000		60,000
Cyber Risk Controls	188,210		188,210
Underwriting Manager	50,000		50,000
Purchasing	15,000		15,000
Non-Contractual	19,797		19,797
Miscellaneous (Contingency)	12,404		12,404
External Auditor	25,000		25,000
	744,887		744,887
Total Expenses	\$ 2,656,411	\$ -0-	\$ 2,656,411

NEW JERSEY CYBER RISK MANAGEMENT FUND
FUND YEAR EXPENSE ANALYSIS
FUND YEAR - 2024
DECEMBER 31, 2024
(UNAUDITED)

	<u>Paid</u>	<u>Unpaid</u>	<u>Total</u>
1. <u>Excess Insurance (itemize)</u>			
Insurance Premiums	\$ 2,445,290		\$ 2,445,290
Subtotal Excess Insurance	<u>2,445,290</u>		<u>2,445,290</u>
2. <u>Administrative Expenses</u>			
Administrative Fees	350,264		350,264
Claims Adjuster	31,500		31,500
Legal	51,000		51,000
Treasurer	25,500		25,500
Other (Itemize):			
Actuary	25,500		25,500
Cyber Consulting			
Cyber Risk Controls	564,467		564,467
Underwriting Manager	51,000		51,000
Purchasing	15,000		15,000
Non-Contractual	15,703		15,703
Miscellaneous (Contingency)	1,980	\$ 1,729	3,709
External Auditor		25,500	25,500
	<u>1,131,914</u>	<u>27,229</u>	<u>1,159,143</u>
Total Expenses	<u><u>\$ 3,577,204</u></u>	<u><u>\$ 27,229</u></u>	<u><u>\$ 3,604,433</u></u>

NEW JERSEY CYBER RISK MANAGEMENT FUND

PROGRAM SUMMARY

FUND YEAR - 2024

DECEMBER 31, 2024

(UNAUDITED)

COVERAGES

	A	B
	First Party	Third Party
1.) <u>Limits</u>	\$3,000,000 Combined Single Limit Per Claim	\$3,000,000 Combined Single Limit Per Claim
2.) <u>Annual Aggregate Limits</u>	\$6,000,000 Annual aggregate Per Member JIF	\$6,000,000 Annual aggregate Per Member JIF
	Cowbell \$2,000,000 excess of Primary \$3,000,000 \$4,000,000 excess of combined primary \$6,000,000 agg	
3.) <u>Retention</u>	\$350,000	\$350,000
4.) <u>Number of Participants</u>	19 Member Joint Insurance Fund	19 Member Joint Insurance Fund
5.) <u>Incurred Liabilities</u>	\$4,509,217	
6.) <u>Exposure Units</u>	594 Member Entities	594 Member Entities
7.) <u>Liabilities/Unit</u>	\$7,591.27	

NEW JERSEY CYBER RISK MANAGEMENT FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF CASH AND INVESTMENTS
DECEMBER 31, 2024
 (UNAUDITED)

<u>Bank</u>	<u>Amount</u>
Citizens Bank	\$ 5,607,254
Less: Outstanding Checks	<u>23,700</u>
	<u><u>\$ 5,583,554</u></u>

ANALYSIS OF ASSESSMENTS RECEIVABLE/(OVERPAYMENTS)
DECEMBER 31, 2024
 (UNAUDITED)

Fund Year 2023 - First Responders JIF	\$ 4,033
Fund Year 2023 - Deductible Receivable	323,044
Fund Year 2024 - Deductible Receivable	<u>260,805</u>
	<u><u>\$ 587,882</u></u>

NEW JERSEY CYBER RISK MANAGEMENT FUND
STATE REQUIRED SUPPORTING
SCHEDULE - ANNUAL REPORT
ANALYSIS OF EXCESS INSURANCE REIMBURSEMENT PAYABLE
DECEMBER 31, 2024
(UNAUDITED)

Fund Year 2023 - Overpayment	<u><u>\$ 27,040</u></u>
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ANALYSIS OF ADMINISTRATIVE EXPENSES PAYABLE
DECEMBER 31, 2024
(UNAUDITED)

Fund Year 2024:	
Miscellaneous (Contingency)	\$ 1,729
External Auditor	<u>25,500</u>
	<u><u>\$ 27,229</u></u>

REPORT PURSUANT TO GOVERNMENT AUDITING STANDARDS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable Chairperson and Members
of the Executive Committee
New Jersey Cyber Risk Management Fund
Parsippany, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), the financial statements of the New Jersey Cyber Risk Management Fund (the "Fund") as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated May 16, 2025.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Honorable Chairperson and Members
of the Executive Committee
New Jersey Cyber Risk Management Fund
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mount Arlington, New Jersey
May 16, 2025

Nisivoccia LLP

STATISTICAL SECTION

NEW JERSEY CYBER RISK MANAGEMENT FUND
NET POSITION BY COMPONENT
LAST TEN YEARS
(Unaudited)

	December 31,	
	2023	2024
Business-Type Activities		
Unrestricted	\$ 1,909,882	\$ 3,873,732
Total Business-Type Activities Net Position	<u>\$ 1,909,882</u>	<u>\$ 3,873,732</u>

Note - the Fund began operations on January 1, 2023. As the Fund matures additional years will be added until reaching ten years of information.

Source - Insurance Fund Financial Records.

NEW JERSEY CYBER RISK MANAGEMENT FUND
SCHEDULE OF CHANGE IN NET POSITION
LAST TEN YEARS
(Unaudited)

	Year Ending December 31,	
	2023	2024
Revenue:		
Assessments from Participating Members	\$ 6,308,167	\$ 6,469,574
Investment Income	111,255	220,774
Total Revenue	6,419,422	6,690,348
Expenses:		
Provision for Claims and Claim Adjustment Expense	1,883,129	1,092,065
Insurance Premiums	1,911,524	2,445,290
Claims Administration	34,000	31,500
Contractual Services	648,686	1,138,231
Non-Contractual Services	19,797	15,703
Administration	12,404	3,709
Total Expenses	4,509,540	4,726,498
Return of Member Dividends	-0-	-0-
Change in Net Position	\$ 1,909,882	\$ 1,963,850

Note - the Fund began operations on January 1, 2023. As the Fund matures additional years will be added until reaching ten years of information.

Source - Insurance Fund Financial Records.

NEW JERSEY CYBER RISK MANAGEMENT FUND
MEMBER GROWTH ANALYSIS - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2024
(Unaudited)

	<u>2023</u>	<u>2024</u>
Total number of members	19	19
Total member assessments	\$ 6,308,167	\$ 6,469,574
Total number of claims	12	20
Total reported losses	\$ 780,954	\$ 776,570

Note - the Fund began operations on January 1, 2023. As the Fund matures additional years will be added until reaching ten years of information.

Source: Joint Insurance Fund - Executive Director's Office and Third Party Claims Administrator

NEW JERSEY CYBER RISK MANAGEMENT FUND
REPORTED LOSS HISTORY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2024
(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 the impact of the increase in membership, the delay in claims reaching the Fund's coverages, and the change in the average cost per claim. These figures do not include incurred but not reported ("IBNR") claim estimates.

	<u>2023</u>	<u>2024</u>
Cyber Risks	<u>\$ 780,954</u>	<u>\$ 776,570</u>
Total	<u><u>\$ 780,954</u></u>	<u><u>\$ 776,570</u></u>
Total number of claims	<u>12</u>	<u>20</u>
Average cost per claim	<u><u>\$ 65,080</u></u>	<u><u>\$ 38,829</u></u>

Note - the Fund began operations on January 1, 2023. As the Fund matures additional years will be added until reaching ten years of information.

Source: Joint Insurance Fund - Executive Director's Office and Third Party Claims Administrator

NEW JERSEY CYBER RISK MANAGEMENT FUND
REPORTED CLAIM ACTIVITY - BY FUND YEAR
FOR THE TEN-YEAR PERIOD ENDED DECEMBER 31, 2024
(Unaudited)

	<u>2023</u>	<u>2024</u>
Cyber Risks	<u>12</u>	<u>20</u>
Total	<u><u>12</u></u>	<u><u>20</u></u>
Claims settled in full	12	3
Claims pending	<u> </u>	<u>17</u>
Total	<u><u>12</u></u>	<u><u>20</u></u>

Note - the Fund began operations on January 1, 2023. As the Fund matures additional years will be added until reaching ten years of information.

Source: Joint Insurance Fund - Executive Director's Office and Third Party Claims Administrator