

more.



2018 ANNUAL REPORT

The image features a background of a blue geometric pattern composed of numerous small, irregular triangles in various shades of blue. Centered in the upper half of the image is the word "Except" written in a white, serif typeface. The letters are clean and well-spaced, with a classic font style that includes a small tail on the letter 't'.

Except

We know. More
isn't necessarily better.

when it is.

If you belong to the largest (and only) school insurance reciprocal in New York State, numbers really do mean something. Like a member roster totaling a record 356 school districts and BOCES who stand with each other against risk. Or a subscriber renewal rate that consistently hits 98 percent. Then... more means something.

It represents financial strength built on a base of satisfied customers who, year after year, choose to secure their futures with increasingly expansive school property-liability coverage and exceptional claims service. It stands for top-notch risk management expertise. And it almost always leads to more stable pricing.

Sometimes more does mean better.

Especially at NYSIR, where strength in numbers isn't just an expression. It's a business plan.

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*Individual
commitment
to a group
effort - that
is what makes
a team work,
a company
work, a society
work, a
civilization
work.*

– VINCE LOMBARDI

President's Report

The Power of Reciprocity

Take a close look at the cover of this book – the logo in particular, on which NYSIR proudly declares itself to be an insurance reciprocal. What goes undeclared (not enough space, we're told) is why being a reciprocal is such a good thing, and where exactly its strength comes from.

At the risk of inspiring international confusion, I'll venture that Lloyd's of London could tell you in a New York minute. Lloyd's, remember, really isn't an insurance company. Technically, it's a marketplace where syndicates – self-organizing groups formed to pursue a shared interest – come together to pool and spread risk.

It's been that way for nearly 150 years.

And if for some arcane reason Lloyd's decided to deny you access to its historical archives at One Lime Street, then a quick dive into Google will pick things up from the 1880s, when the first insurance reciprocal was formed by a group of successful New York merchants who decided to self-insure to meet similar needs and



STEPHEN LUNDÉN
NYSIR PRESIDENT

and bring some sanity back to premium rates.

Shared interests

The rationale in both instances (and the key to the strength of a reciprocal) is that organizations with the same goals and operating standards know better than anyone

else what their insurance requirements are, and can share their risk management experiences to secure reasonably priced coverages important to them. Unsurprisingly, the larger the risk pool – that is, the greater the number of reciprocal members – the stronger it becomes.

Sound familiar? It is, after all, just another application of the axiomatic idea behind strength in numbers. And on a fundamental level it describes NYSIR, where strength in numbers really is a part of the business plan.

NYSIR reached a record high number of school district and BOCES members – 356 in all – even as our retention rate clocked in at a remarkable 99.4 percent.



Organizations with the same goals and operating standards know better than anyone else what their insurance requirements are, and can share their risk management experiences to secure reasonably priced coverages important to them.

I'm pleased to report that for the period ending in 2018, adherence to that plan helped us reach a record high number of school district and BOCES members – 356 in all – even as our retention rate clocked in at a remarkable 99.4 percent.

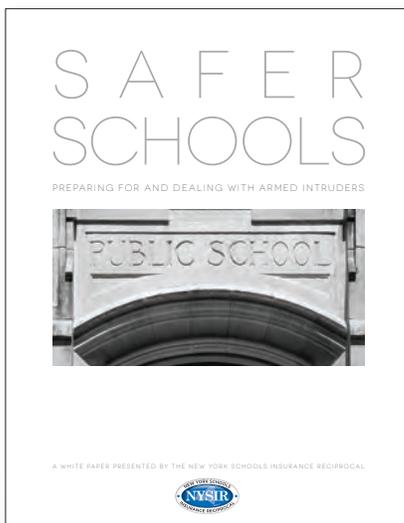
Strength through value

There's a reason more and more members are helping NYSIR become stronger and stronger, and it has to do with value and trust.

There's a reason more and more members are helping NYSIR become stronger and stronger, and it has to do with value and trust. During the 2018 calendar year, for instance, we worked hard to provide subscribers with additional value-added services and coverages, unparalleled risk management support and claims handling of the highest level. And we did it without increasing rates for any of our lines of coverage. In fact, 2018 was the fourth year in a row that NYSIR's rates essentially remained unchanged.

One very important entry under the

heading of value-added service was the 2018 release of *Safer Schools*, an important NYSIR white-paper publication focused on helping school districts and BOCES prepare for and deal with armed intruders. Published in the wake of the Marjory Stoneman Douglas



High School shooting in Parkland, Fl., the 24-page booklet brought together in a single volume comprehensive articles by NYSIR risk management professionals that covered school violence warning signs; school access controls and visitor management systems; how to conduct building security checkups and realistic onsite drills; the role of security guards and guidelines for creating a culture of safety.

Because of overwhelming interest generated by the book, a second printing was sent to school officials statewide.

The publication was originally distributed only to leaders in each of NYSIR's subscriber districts and BOCES, but because of overwhelming interest generated by the book, a second printing was sent to school officials statewide.



Strength through innovation

In 2018, NYSIR also inaugurated its very first day-long symposium for educators across New York. *New Frontiers in the Prevention of Child Sexual Abuse* featured experts on the mindset and behaviors of sexual predators; the mental health implications of sex abuse; child sexual abuse prevention programs that work for school districts; and legal facts

As part of a joint venture, NYSIR helped bring Heads Up Football® – a program aimed at making the game safer for players – to schools all across New York.

districts, BOCES and their boards should consider.

Later in the year, as part of a joint venture with the New York State Public High School Athletic Association and the New York Jets, NYSIR helped bring Heads Up Football® – a program aimed at making the game safer for players – to schools all across New York.

NYSIR's coverages for subscribers grew stronger in 2018, as well, with the addition of improved equipment breakdown coverage to help offset

the cost of replacing electronic circuitry in impaired school machinery and IT systems. We also expanded flood insurance to include an extra, no-cost endorsement covering pre-emptive measures taken by districts and BOCES to limit potential flood damage.

It's not water, but data flows, too, and to help secure it NYSIR also expanded coverage for subscribers whose data processing needs are handled by a third-party provider such as a regional BOCES.

Strength through association

Those are just a few of the ways NYSIR subscribers were able to strengthen their property and liability security,

even as the reciprocal fortified its organizational relationships with education-related professional associations.

During the 2018 period, for example, NYSIR continued to sponsor the New York State School Facilities Association, the Association of School Business Officials New York, the New York State School Boards Association, the New York Association for Pupil Transportation and the Rural Schools Association – many of which received scholarships or grants from NYSIR for

their members to attend educational conferences and training sessions. As it has for many years, NYSIR also supported the New York State Council of School Superintendents, helping to fund The Council's Women's Initiative and its Summer Institute for professional development at Harvard.

In sum, the year was defined in large part by NYSIR's continuing pursuit of strength in numbers. And I would be remiss if I didn't make a point of adding to those numbers the remarkable contributions of the claims, underwriting, administrative, risk management, marketing and service professionals at Wright Risk Management.

We thank them and our hundreds of members for making us stronger every year.



ASBO
NEW YORK



NYAPT
NEW YORK ASSOCIATION
FOR PUPIL TRANSPORTATION





Union gives strength.

– AESOP (620-560 BC), THE BUNDLE OF STICKS

Executive Director's Report

Strength of Purpose: The Immeasurable Asset

Our 2018 annual report begins with a fairly unassailable premise: More isn't necessarily better. And there are plenty of examples to lend credence to that actuality. All of us, for instance, have a pretty good sense about when to say no to another helping of crème brûlée. Well... some of us do.

The question is, exactly when does more become better? The answer, of course, is that no single answer will suffice.

The question is, exactly when does more become better? The answer, of course, is that no single answer will suffice.

There will always be opportunities and circumstances wherein 'greater' will quite logically be determined to be better than fewer. And

I would suggest that among them are instances when strength of purpose shines at its brightest – when people and organizations with shared interests, intents, resources and philosophies stand with each other to achieve universally applauded goals. Then, more is definitely better, and numbers really do represent strength.

Certainly, that's how it is with the New York Schools Insurance Reciprocal, which, as you know, is a self-organized group of like-minded school districts and BOCES that have come together to pool and spread risk. The greater the number of NYSIR members, the



ROBERT W. LULLEY, JR.
EXECUTIVE DIRECTOR

more that risk is dispersed. Risk never goes away completely; that's important to remember. It just gets proportionately more manageable and financially practical to bear.

In a year like 2018 especially – a period when, similar to NYSIR, the insurance industry as a whole found itself dealing with an onslaught of legal and weather-related claims – that shared strength of purpose, as well as the cumulative resources that accompany it, can prove to be an undeniable asset.

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Underlying strengths



What do we mean by that? Well, despite a marked reduction in surplus, for example, NYSIR's

The reciprocal finished the year with a premium-to-surplus ratio of 0.38 to 1 – an indication of the healthy breadth of NYSIR’s capital leverage.

gross written premiums for 2018 increased to \$96 million, up approximately 2.5 percent from a year-earlier total of \$93.6 million. Net written premiums for the period finished at \$63.7 million, a more than 3 percent increase over 2017’s total of \$61.7 million. In part because of its growing membership, NYSIR remains very well capitalized – and that helps to offset our reduction in surplus.

rate – the percentage of school district and BOCES members who recognize the reciprocal’s value-added insurance coverage and choose to stay with it from year to year – reached a truly impressive 99.4 percent.

In each case, financial strength derived from committed subscribers with a shared purpose helped to offset potential liabilities.

The NYSIR Advantage

What keeps those satisfied subscribers coming back? Well, we think they, too, understand that more isn’t necessarily better... except when it is. And at NYSIR, it most definitely is.

Here’s another example. NYSIR ended the 2018 period with a combined ratio of losses, loss adjustments and operating expenses to premiums of 125.7 percent – the result of an extraordinary period of weather-related property losses and legal challenges. At

NYSIR’s popular Online University (NYOU), for instance, added more courses during 2018, including sessions on suicide prevention, responsible



the same time, though, the reciprocal finished the year with a premium-to-surplus ratio of 0.38 to 1 – an indication of the healthy breadth of NYSIR’s capital leverage.

use of social media, and the prevention of discrimination and harassment.

Reflecting the volatility in financial markets that roiled 2018’s final quarter, investment income for the year totaled \$5.4 million – down from the year earlier, but only marginally. Offsetting that, NYSIR’s retention

The curriculum at our Dignity for All Students Act College also was revised to reflect the latest changes in the law, and the reciprocal worked with the state Education Department to

NYSIR’s popular Online University (NYOU) added more courses during 2018, including sessions on suicide prevention, responsible use of social media, and the prevention of discrimination and harassment.



gain Continuing Teacher and Leader Education (CTLE) accreditation for many of its NYOU programs.

Now administrators, staff and teachers can earn CTLE credits as they use our 24/7 online university to take mandated state training, update their knowledge base and stay on top of the latest risk management techniques.

Also on the plus side is NYSIR's extensive collection of print and digital publications –



the quarterly NYSIR

risk management developments and evolving state requirements. Our reorganized website at nysir.org went live in 2018, too, delivering greater ease of use and increased functionality.

Equally important, NYSIR continued to deliver value-added services such as live regional and statewide seminars on pertinent insurance and risk management topics, as well as instructive training webinars through nysir.org.

The real force behind NYSIR's comprehensive package of services and coverage lies with our valued subscribers, who together empower not just each other, but the organization itself.



All of that, we hope you'll agree, amounts to more.

But in the end, the real force behind the reciprocal's comprehensive package of services and coverage – in-



deed, its long-term success – lies with our valued subscribers, who together empower not just each other, but the organization itself.



News, our timely and well-received Legal Digest,



and monthly NYSIR eNews and Risk Management Bulletins – which together help to keep subscribers current on school property and liability issues, reciprocal activities,

That's why at NYSIR, strength in numbers isn't just an expression. It really is part of the business plan.



*All your
strength is in
your union.
All your danger
is in discord.*

– HENRY WADSWORTH LONGFELLOW
(1807–1882)
THE SONG OF HIAWATHA (1855)

Management Company Report

Numbers and People: NYSIR's

Real Strength

Let's be plain. You can't run an insurance organization like NYSIR without numbers. Lots of them. They set direction for us, guiding us toward financial strength and greater subscriber service, at the same time setting in bold relief parts of the business that may need to be addressed.

But numbers aren't everything. No matter how many appear on a profit and loss sheet, for instance, they don't add up to the warmth of a human voice.

Numbers are incapable of conveying the true depth of a business organization's relationship with its employees, customers and communities. A good example would be NYSIR's annual scholarship program for college-bound seniors at member schools.

No matter how many get highlighted in an annual report (you're going to see plenty here, by the way), they're incapable of conveying the true depth of a business organization's relationship with its employees, customers and communities. A good example would be NYSIR's annual scholarship program for college-bound seniors at member schools.

A different kind of reckoning

I could tell you that deserving students from across New York won 13 scholarships worth \$46,000 in 2018, for instance,



JOHN PEPPARD
SENIOR VICE PRESIDENT
AND MANAGER
WRIGHT RISK MANAGEMENT
NYSIR PROGRAM

or that the reciprocal has awarded nearly \$300,000 in grants since the program began in 2007. Numbers galore. But when it comes to assessing the true value of the program, how can they possibly equate to this single expression of heartfelt gratitude from an actual recipient: "The most impactful thing I can do for other young people with special challenges is to live my life to the fullest as a disabled person."

In that case, strength is showcased in the most fundamental of numerals, the starting point for every other number in existence: One.

But the reality is this: Whether or not they're capable of gauging the full extent of an organization's concern for customers and communities, numbers really are an absolute necessity when it comes to measuring the success of its business

Strength is showcased in the most fundamental of numerals, the starting point for every other number in existence: One.

ventures. And with that in mind, let's turn our attention to what NYSIR does best – protecting school districts and BOCES, and helping them manage risk.

Controlling exposures

One way we do that is through onsite visits to help subscribers assess potentially



hazardous property conditions, and during 2018 NYSIR risk management professionals conducted more than 335 loss control inspections. The resulting recommendations and suggested improvements in areas ranging from fire safety procedures to playground upkeep, potential sports liabilities and school security policies helped NYSIR members limit their exposures and reduce susceptibility to claims.

During the period, NYSIR insurance and risk professionals also attended more than 160 safety committee meetings hosted by district and BOCES officials.

Another of the reciprocal's undeniable strengths

is its continual emphasis on regional risk management seminars and in-district safety and liability training sessions, all of which help to limit members' exposure to risk and ensure their compliance with state and federal regulations. In 2018, topical seminar and training subjects ranged from updates to

New York's Dignity for All Students Act and newly legislated mental health instruction requirements, to developments in cyber-security, risk transfer, life safety, sports head-

injury prevention and school violence protection.

A look at the legal side

From the beginning, the reciprocal has embedded in its founding principles the idea that subscribers should be shielded against baseless claims and frivolous lawsuits – not just as a cost-saving measure, but as a way to preserve districts' and BOCES' all-important reputations as concerned and professional organizations that communities can count on to deliver quality education. That commitment continued in 2018, when NYSIR ended the period having closed 53 percent of claims litigated

From the beginning, the reciprocal has embedded in its founding principles the idea that subscribers should be shielded against baseless claims and frivolous lawsuits.



against its member schools with zero indemnity payments to plaintiffs.

New legal actions for the year totaled 299, in line with trends for the previous period. The number of claims settled before trial finished at 123 for the year; 22 legal actions were ruled in NYSIR's favor, and only three were judged in favor of plaintiffs. The reciprocal ended the year with 889 lawsuits pending.

A total of 2,852 claims against NYSIR subscribers arose during 2018, and 2,070 remained open at the period's end.

It is NYSIR's great good fortune to have at its core a wellspring of committed and resilient subscribers, board members and employees.

The numbers themselves reflect a well-managed and well-capitalized business, despite an anomalous uptick in combined ratio. As we noted at the beginning, numbers aren't NYSIR's only strength. It is the reciprocal's great good fortune to have at its core a wellspring of committed and resilient subscribers, board members and employees, whose dedication to the idea of shared interest and purpose infuses

the organization with substance and durability.

It is in their numbers that we find our real strength.

Wright Management Team



LEFT TO RIGHT (STANDING) PAUL WEINSTEIN ■ J. BRETT CARRUTHERS ■ FREDERICK BLACK ■ STEVE KEARNS ■ JOHN PEPPARD ■ JOHN LAGNESE ■ DOUG HAYDEN ■ **(SEATED)** RONALD FALCONE ■ DIANE KRAMER ■ ANDREW GRAHAM ■ JANET WARD
(NOT APPEARING: GREG HAWK ■ RUSS PHILLIPS)



*There's an old African
proverb that says
if you want to go fast, go
alone. If you want
to go far, go together.*

NYSIR Strong

At NYSIR, 'together' translates into more than 350 school districts and BOCES, a board of governors, and experienced executive and management teams – a combination it would be hard NOT to associate with the idea of strength in numbers. And since they joined forces in 1989 to form a reciprocal insurance and risk management business, the organization has indeed traveled a long, long way.

Back then, schools were facing a crisis.

Rates for property and liability insurance were increasing while coverage was decreasing, and some districts were denied protection altogether. Seeing the long-term value of pooling their resources and cost-effectively managing their insurance needs, a total of 54 original school districts and

BOCES broke down barriers with an all-in strategy that leveraged numbers into strength, and created the first not-for-profit public-school insurance reciprocal in New York State.

Seeing the long-term value of pooling their resources, a total of 54 original school districts and BOCES broke down barriers with an all-in strategy that leveraged numbers into strength, and created the first not-for-profit public-school insurance reciprocal in New York State.

Since the merchants were well-off and could absorb certain losses, they decided to pool their strengths and insure themselves at lower rates. They then began to collect annual premiums to fund payouts when claims occurred.

An old notion

Interestingly, it wasn't the first time the idea had occurred. In the late 19th century, six New York City merchants fed up with standard insurance practices thought they could find 'more' (You remember that word, right?) by combining into a reciprocal exchange. They operated well-maintained buildings with very few risk factors, but were charged high premiums because of the way risk was classified at the time.

"Reciprocal insuring is often attractive to insureds," explains Stephanie Nesbitt, assistant professor and director of risk management and insurance at Utica College, "because it presents participants with many of the benefits of self-insuring (better control of outcomes, decreased costs through the elimination of third-party overhead) while allowing the participants to take advantage of the magic of pooling – replacing actual cost of losses with average costs."

"In a world where limited resources are a concern," she added, "money saved by reducing insurance premiums can be reallocated to important institutional programs or needs."

A little magic

Do subscriber districts and BOCES feel the same way when it comes to NYSIR and "the magic of pooling?"

Douglas Scofield, Superintendent at Iroquois Central School District (CSD) and a member of the reciprocal's board of governors, says "the NYSIR community really provides a collaborative atmosphere to discuss issues and ideas with experts or different schools. The collective has a much greater thought capacity, so when you get together with fellow NYSIR members you're able to start off with multiple solutions to a

The collective has a much greater thought capacity, so when you get together with fellow NYSIR members you're able to start off with multiple solutions to a situation. That results in a much better resolution than if you were working alone.

situation. That results in a much better resolution than if you were working alone.” It can be particularly advantageous, he advised, when the topic is school violence and what’s being done to safeguard students and faculty.

Even with a growing number of subscribers, NYSIR has never let a district or BOCES fall between the cracks. Superintendent Jon

MacSwan, whose Cleveland Hill School District has been a NYSIR subscriber for over 16 years, agrees that “the size and strength of NYSIR is impressive, and does benefit the Cleveland Hill School District. But what we value most in our relationship with NYSIR is that the personal relationships with our agents have stayed strong. It’s reassuring to know that we have someone who really knows us and what we value, just a call away when we need them.”

And NYSIR’s commitment doesn’t end with a phone conversation. Insurance and risk management professionals are always available to provide onsite risk assessments and staff training. Dr. Michael Patton, Superintendent of

Schools at Saratoga Springs City School District, recalls when NYSIR Senior Risk Control Specialist Robert Blaisdell visited his district for its annual transportation training. “He provided critically important training for 100 drivers and support staff, making it realistic and understandable.”

Patton said the training was well-received by the staff, who felt they learned a lot because Blaisdell was able to spend the full day with them. Patton also noted that NYSIR is not only generous with its time, but also with its support of the district’s annual golf tournament, an opportunity that allows them to raise money to give back to the community.

It’s all about people

Today, more than 60 professional NYSIR staff members and employees are available every day to assist the reciprocal’s 356 school districts and BOCES. Their commitment to subscribers has never wavered, says Executive Director Bob Lulley, and they’re constantly looking for ways to stabilize costs while at the same time providing comprehensive coverage and risk management.

“NYSIR wasn’t formed to make money,” explains Lulley. “It remains a non-profit, whose main purpose is to provide school districts with valuable property and liability insurance. But beyond that it supports subscribers with value-added risk management extras like regular facility and operations evaluations, in-district training opportunities, NYSIR’s Online University, monthly email newsletters, topical symposiums, and more.”

“Factually,” he agrees, “the reciprocal’s long-term success can be tied to strength in numbers. But every day we remind ourselves that behind those numbers are caring, dedicated people. And it is in them that we find our true strength.”

What we value most in our relationship with NYSIR is that the personal relationships with our agents have stayed strong. It’s reassuring to know that we have someone who really knows us and what we value, just a call away when we need them.



Committee Reports 2018

While NYSIR's strength as an insurance reciprocal stems directly from the hundreds of school districts and BOCES across New York that place their trust in it, the reciprocal's management capabilities emanate from the education leaders who populate not only its board of governors, but its Executive, Finance, Operations, and Planning and Development committees.

As members of their respective work groups, the contributions of those school administrators and business officials cover all facets of NYSIR's business – from audits and oversight of risk and claims management to investment strategy, legal issues, coverage enhancements and marketing communications.



Executive Committee

Members of the NYSIR Executive Committee oversee the general business direction of the reciprocal, working closely with the executive director to implement NYSIR's insurance, claims, risk management and marketing strategies. The committee also takes a leadership role in providing guidance to the Finance, Operations and Planning and Development committees.

MEMBERS

Stephen Lunden, Chair
CHEEKTOWAGA-MARYVALE CSD

Thomas Austin
NYSIR ASSISTANT DIRECTOR

Hermes Fernandez
NYSIR LEGAL COUNSEL

Deborah Heppes
ORANGE-ULSTER BOCES

Richard Linden
NEW PALTZ CSD

Robert W. Lulley, Jr.
NYSIR EXECUTIVE DIRECTOR

John Peppard
WRIGHT INSURANCE
SENIOR VICE PRESIDENT

Eric Stark
CARMEL CSD

Timothy Whipple
PLEASANTVILLE UFSD

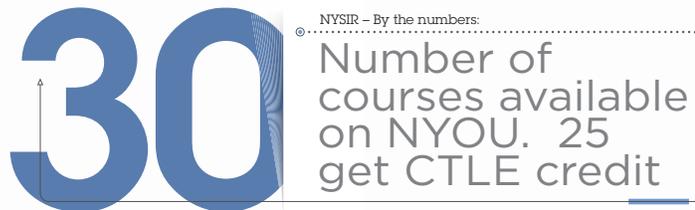
At the beginning of the year the Executive Committee heard reports from the executive director concerning several aspects of the business, including the expectation of additional expenses due to the reciprocal's core system project. It was also noted that NYSIR's enterprise risk management program had begun to be implemented within committees and at the administrative office level. In addition, committee members were updated on



LEFT TO RIGHT ROBERT W. LULLEY, JR. ■ ERIC STARK ■ THOMAS AUSTIN ■ RICHARD LINDEN ■ TIMOTHY WHIPPLE ■ STEPHEN LUNDEN ■ HERMES FERNANDEZ ■ JOHN PEPPARD (NOT APPEARING: DEBORAH HEPPES)

Executive Committee, continued

Phase 1 of the reciprocal's expected three-to-five-year business plan, during which interviews and subscriber focus group discussions would take place.



An update on the NYSIR Foundation revealed that the foundation henceforth would be responsible for paying all expenses related to NYSIR's popular scholarship program, including costs associated with planning meetings and winners' travel. Plans also were made to determine how to raise additional funds to offset a shortfall in donations to the program. Additionally, NYSIR's CIO reported to the committee on the status of the organization's cyber-security program.

Reports also were received on the state of the global reinsurance market and the possibility of NYSIR executing a larger retention on its property and excess casualty reinsurance programs; marketing and certified representative training; and the reciprocal's planned July symposium for educators on child sex abuse and molestation.

Later in the year, the committee reviewed overall committee budgets and noted in particular an uptick in marketing expenses. In addition, committee members weighed the process through which the reciprocal elects members to its board of governors. Suggested assignments to all

NYSIR committees were reviewed, and the Executive Committee moved to accept them. Ideas for marking NYSIR's upcoming 30th anniversary also were discussed.

In October, the committee considered a report by the executive director that the reciprocal's loss ratio had risen, driven by property line and weather-related losses. Committee members also learned that, despite loss numbers, surplus had grown over the first three quarters of the year.

Following a positive report on the reciprocal's 99 percent retention rate, the management company presented a proposal to expand NYSIR's Head Injury Prevention Program for student athletes to include modified sports.

In addition, the committee heard a proposal on providing a test segment of subscribers with new sensor technology aimed at mitigating losses; a presentation on the President's Initiative involving the prevention of workplace discrimination and sexual harassment; and amendments to the organization's by-laws.

As the year ended, the Executive Committee received a recommendation from the



management company for an overall rate increase of 2.5 percent, to be implemented beginning in 2019. The recommendation was passed to the Finance Committee for consideration. ■

Planning and Development Committee

The Planning and Development Committee reviews territorial analyses undertaken by NYSIR actuaries, ensuring rates in each territory are reasonable for all members. The committee also advises on formats and agendas for subscriber seminars, and reviews the

MEMBERS

Janet Bryan, Chair
LONGWOOD CSD

John Abbott
EAST IRONDEQUOIT CSD

Nancy Dingman
HANNIBAL CSD

Deborah Heppes
ORANGE-ULSTER BOCES

Angelina Maloney
BRUNSWICK CSD

Anne Marie Marrone Caliendo
HALF HOLLOW HILLS CSD

Kelly Seibert
BYRAM HILLS CSD

Eric Stark
CARMEL CSD

agenda for NYSIR's annual marketing meeting. In addition, the committee provides direction to NYSIR public relations consultants and receives briefings from the reciprocal's management company on NYSIR's marketing program.



LEFT TO RIGHT ERIC STARK ■ JOHN ABBOTT ■ JANET BRYAN ■ ANNE MARIE MARRONE CALIENDO ■ ANGELINA MALONEY ■ KELLY SEIBERT (NOT APPEARING: NANCY DINGMAN ■ DEBORAH HEPPES)

P&D Committee, continued

As the year opened, Planning and Development Committee members were provided a marketing update from NYSIR's

members heard a quick update on subscriber e-renewals, and NYSIR's assistant executive director spoke about the reciprocal's increased presence and visibility at association

conferences and subscriber luncheons. The group also was updated on the addition of enterprise risk management monitoring to the committee's responsibilities. In addition, the committee reviewed its

budget for marketing publications, advertising and key association sponsorships.

As the year progressed, committee members reviewed a territorial rating study, which showed that, in general, NYSIR's territorial rating approach has helped to stabilize overall rate structures during the past 10 years. In addition, a marketing update showed that membership totals had increased to the highest in the reciprocal's history.

The assistant executive director recapped the outcomes of a recent marketing communications meeting, and afterward the committee voted to approve the renewal of contracts with several marketing communication and public relations vendors.

During its final meeting of the period, the committee took a deeper look at the aforementioned territorial rate analysis, learning from Willis Towers Watson that downstate territories might be paying too little for property insurance and too much for general liability, while the exact opposite was occurring in upstate territories. It was recommended that a third year of territorial rate adjustments be postponed due to an overall rate increase expected in 2019.



management company, which included the potential to add new districts and BOCES based on connections made with the Rural Schools Association and other education-related associations sponsored by NYSIR. It was also reported that meetings with certified representatives and marketing representatives were being conducted more frequently, and included conference calls.

It was noted that contracts with NYSIR certified representatives were expected to be signed by May, and that a training day for certified representatives had been slated in Albany.

Motions to continue NYSIR sponsorships of the New York State Council of School Superintendents' Women's Leadership Initiative and the School Administrators Association of New York State were unanimously adopted, as was a motion to accept a list of updated committee charges.

At the beginning of the second quarter marketing professionals from the management company reviewed for the committee an increase in submissions from new subscriber prospects and the role a new program called NYSIR Ready was playing in identifying those prospects. Committee

Finance Committee

The Finance Committee meets regularly with the executive director, NYSIR's management company and outside consultants to monitor financial performance and plan for the future. The committee brings together actuaries, investment managers and auditors to align NYSIR's finances with the fiscal expectations of member districts.

MEMBERS

Wayne Loper, Chair

VALLEY STREAM CHSD

John Belmonte

SAYVILLE UFSD

Mary Blaine

BEEKMANTOWN CSD

Julie Bresett

MADRID-WADDINGTON CSD

Kim Brumley

GREATER AMSTERDAM CSD

Richard Linden

NEW PALTZ CSD

Jeffery Martin

SCARSDALE UFSD

Doug Scofield

IROQUOIS CSD

Throughout the 2018 period, the Finance Committee reviewed and approved quarterly treasurer and budget reports and evaluated findings from the reciprocal's independent auditing firm. Additionally, committee members heard presentations by Willis Towers Watson (WTW), NYSIR's actuarial firm, regarding rate recommendations for the fiscal year.



LEFT TO RIGHT WAYNE LOPER ■ RICHARD LINDEN ■ DOUG SCOFIELD ■ JOHN BELMONTE (NOT APPEARING: JEFFERY MARTIN ■ KIM BRUMLEY ■ JULIE BRESSETT ■ MARY BLAINE)

Finance Committee, continued

During its first quarter meeting, the committee was provided with an investment performance report by PFM, which included a summation of the reciprocal's portfolio for the preceding quarter. PFM indicated that the portfolio had outperformed on every benchmark. Following a lengthy discussion, the committee agreed to recommend to the full board that it change NYSIR's investment policy to modify the multi-asset class component of the surplus fund from a range of 25-35 percent to a new range of 25-40 percent.

In accordance with a state Department of Finance recommendation, the

committee also reviewed PFM's investment transactions pursuant to Section 1411(a) of New York's Insurance Law. Additionally, the executive director informed committee members that the reciprocal's rates would remain stable for the 2018-2019 policy year; a motion to recommend to the

full board that rates remain unchanged was passed unanimously.

Following reports from the reciprocal's internal auditor, committee members discussed whether NYSIR's budget could be reported on a calendar basis, in the belief that it would offer more value

to the committee to review the budget if it was consistent with overall financials, which also are reported on a calendar-year basis. After review, no change was



implemented. The treasurer also informed the committee that a new Financial Accounting Standards Board requirement regarding loss information reports would be implemented in order to receive an unqualified opinion from its external auditor, Crowe Horwath.

During the second quarter, the committee was presented the framework of a proposed NYSIR business plan, which included an action plan, a timeline and questionnaires



prepared for subscribers, business partners and service providers. The committee was asked to review the plan and report back with recommendations. The group also reviewed a list of investment transactions performed by PFM during the first quarter.

The executive director analyzed 2017 financial results for the committee, advising that the reciprocal closed the

The group learned that the reciprocal had maintained its overall "A" rating from industry analyst A.M. Best.

Finance Committee, continued

year with an underwriting loss and a combined ratio of 103.76 percent. The committee was informed that NYSIR had to adjust reserves on older liability claims due to adverse developments and several significant property losses. The executive director noted that a full review of NYSIR's recent loss experience was underway to determine if any underlying trends that might adversely impact future results were in evidence. He also told committee members that 2017 investment income offset underwriting losses to some extent by contributing to an increase in surplus.

Additionally, the group learned that the reciprocal had maintained its overall "A" rating from industry analyst A.M. Best. A motion also was made to recommend to the full board that it allocate 25 percent of underwriting gains or losses to subscribers' operating reserves.

During their next meeting committee members passed a motion to authorize the executive director to sign statutory and GAAP external auditor engagement letters. In addition, the committee reviewed a multi-asset-class management improvement-to-investment offering from PFM. The proposed instrument would supposedly enhance management of NYSIR's investment portfolios; provide access to a full universe of investment managers; and

increase purchasing power by pooling client assets.

The executive director also informed committee members that NYSIR's combined ratio year-to-date had climbed



to 116.2 percent due to underwriting and net income losses, and that the reciprocal would be exploring the need to increase rates during the next policy year.

During the fourth quarter the committee discussed an upcoming audit by Crowe Horwath, and learned that the auditor had contracted with an actuary firm, Millman, to perform a peer review of NYSIR's year-end loss reserves in March of 2019. Crowe Horwath also informed the committee about accounting and auditing developments that may impact NYSIR in 2019. Additionally, the committee moved to accept revised budget policy language made in response to changes in the reciprocal's by-laws and move it to the full board for review.

A full review of NYSIR's recent loss experience was underway to determine if any underlying trends that might adversely impact future results were in evidence.

Operations Committee

The Operations Committee reviews proposed bylaw changes and additions to original subscriber agreements. It oversees general operations, ensures geographic representation on the Board of Governors and nominates candidates. The committee also supervises elections at annual meetings and evaluates the performance of corporate counsel.

MEMBERS

Jennifer Avery, Chair
OTSEGO-NORTHERN CATSKILLS BOCES

Sharon Cihocki
ADIRONDACK CSD

Richard Cunningham
PLAINVIEW-OLD BETHPAGE CSD

Steve Hubbard
CINCINNATUS CSD

Thomas McDaid, Jr.
NORTH MERRICK UFSD

Gayle Sedlack
WATKINS GLEN CSD

Michael Senno
NORTH ROCKLAND CSD

Timothy Whipple
PLEASANTVILLE UFSD

As the year began, the Operations Committee reviewed a slate of NYSIR board members eligible for re-election, as well as a list of board members eligible to become officers. Following discussion, the committee recommended approval of both lists to the full board.

Committee members also heard a presentation by CBIZ, NYSIR's school



LEFT TO RIGHT (STANDING) MICHAEL SENNO ■ TIMOTHY WHIPPLE ■ THOMAS MCDAID, JR. ■ GAYLE SEDLACK ■ RICHARD CUNNINGHAM ■ **(SEATED)** STEVE HUBBARD ■ SHARON CIHOCKI ■ JENNIFER AVERY

Operations Committee, continued

property valuation vendor, which noted that the previous year's work had been performed under budget. The group also learned about and adopted a change to the committee's

districts with the capability to track any changes in school bus drivers' licenses. In 2018, the program was expanded to include not just bus drivers, but any employee who drives a school

Billions

© NYSIR – By the numbers:

Worth in dollars of New York public-school property protected by NYSIR

charges that involved monitoring of risk tolerance as it pertained to cyber security. A NYSIR risk management professional also updated committee members on progress involving the reciprocal's Head Injury Prevention Program for school athletes, as well as a planned symposium on the prevention of child sex abuse.

After receiving a claims report, the committee heard a presentation about enhancements to NYSIR's flood insurance, which provided coverage in excess of the National Flood Insurance Program. A motion to recommend the flood coverage enhancement to the full board was passed unanimously. In addition, NYSIR's legal counsel reported that the organization's by-laws were in need of revision, and recommended that the group form a subcommittee to consider the issue.

Later in the year the committee heard a presentation from License Monitor Inc., a NYSIR vendor that provides school

district vehicle. The committee learned that 222 NYSIR subscribers utilized the service and a total of 10,110 drivers were being monitored. A committee member requested alerts when a licensed driver is due for specific medical exams or tests linked to their licenses, a request on which LMI committed to follow up.

As part of a risk management update from NYSIR's management company, committee members were given a presentation on a HIPP-related program called Heads Up Football, which involves training for school sports coaches. NYSIR was asked to co-sponsor the program along with the New York Jets to ensure that schools in all areas of the state would be included. The committee approved the expenditure of \$25,000 to help fund Heads Up Football, and recommended it to the full board.

A discussion on subscriber renewals was followed by a

NYSIR's legal counsel reported that the organization's by-laws were in need of revision, and recommended that the group form a subcommittee to consider the issue.

Operations Committee, continued

review of potential new business; afterward the committee adopted a motion to recommend to the full board that it accept a 2 percent fee increase by CBIZ. The committee also recommended approval of a list of law firms and adjusters to be

members to a new seat in the Southwestern Region and a vacant seat in the Southern Westchester Region. It also received an underwriting report highlighting enhanced cyber-security coverage, NYSIR's commercial crime program and its storage tank liability program.

\$300K

NYSIR - By the numbers:

Total in scholarships awarded by NYSIR to graduating seniors from NYSIR member schools

utilized by NYSIR in defense against claims. Additionally, the group received an update on the implementation of NYSIR's core system project, expected completion of which had been moved from July to either the third or fourth quarter.

At the committee's third-quarter meeting, the reciprocal's legal counsel provided a review of revisions that had been made to the organization's by-laws. Afterward the committee unanimously recommended a first reading of the revisions to the full board for approval. A motion also was requested and adopted to recommend appointment of board officers as presented to the full board. Additionally, NYSIR's executive director presented a board structure chart along with rules associated with determining the number of board members from each state region in accordance with the subscriber population in those regions. After elections in September, the reciprocal would have 25 board members.

The committee also recommended continuing with a plan to elect new board

As the period closed, the Operations Committee received a board election update and recommended approval of the results to the full board. Following a suggestion that the formula for regional selection to the board be reconsidered, an Operations Subcommittee was formed to evaluate the issue.

It was also reported that since the first reading of updated by-laws earlier in the year, new by-law materials had been discovered that affected several

7

NYSIR - By the numbers:

Education-related associations supported in 2018

contingencies, from provisions for removal of a board member to the scope of duties assigned to internal auditors. The reciprocal's legal counsel recommended to the committee that the newly amended set of by-laws supersede all others; a motion was passed to recommend to the full board reapproval of the amended by-laws.

Subscriber List

- Denotes original subscribers

- Adirondack CSD
- Afton CSD
- Akron CSD
- Albany City SD
- Albion CSD
- Alden CSD
- Alexander CSD
- Altmar-Parish-Williamstown CSD
- Amagansett UFSD
- Amherst CSD
- Amityville UFSD
- Amsterdam
 - Enlarged City SD
- Ardsley UFSD
- Argyle CSD
- Arlington CSD
- AuSable Valley CSD
- Babylon UFSD
- Bainbridge-Guilford CSD
- Baldwin UFSD
- Batavia City SD
- Bay Shore UFSD
- Bayport-Bluepoint UFSD
- Beacon City SD
- Bedford CSD
- Beekmantown CSD
- Bellmore UFSD
- Bellmore-Merrick CHSD
- Bethpage UFSD
- Blind Brook-Rye UFSD
- Brentwood UFSD
- Brewster CSD
- Briarcliff Manor UFSD
- Bridgehampton UFSD
- Brighton CSD
- Bronxville UFSD
- Brunswick CSD
- Byram Hills CSD
- Campbell-Savona CSD
- Canastota CSD
- Candor CSD
- Carle Place UFSD
- Carmel CSD
- Cato-Meridian CSD
- Cazenovia CSD
- Center Moriches UFSD
- Central Islip UFSD
- Central Square CSD
- Chappaqua CSD
- Charlotte Valley CSD
- Chazy Central Rural School
- Cheektowaga CSD
- Cheektowaga-Maryvale UFSD
- Cheektowaga-Sloan UFSD
- Cherry Valley-Springfield CSD
- Chester UFSD
- Cincinnati CSD
- Clarence CSD
- Clarkstown CSD
- Cleveland Hill UFSD
- Clinton CSD
- Clinton-Essex-Warren-Washington BOCES
- Cold Spring Harbor CSD
- Colton-Pierrepont CSD
- Comsewogue UFSD
- Connetquot UFSD
- Copiague UFSD
- Cornwall CSD
- Cortland City SD
- Croton Harmon UFSD
- Deer Park UFSD
- Depew UFSD
- Dobbs Ferry UFSD
- East Hampton UFSD
- East Irondequoit CSD
- East Islip UFSD
- East Meadow UFSD
- East Moriches UFSD
- East Quogue UFSD
- East Rockaway UFSD
- East Williston UFSD
- Eastchester UFSD
- Eastern Suffolk BOCES
- Eastport/So. Manor CSD
- Edmeston CSD
- Eldred CSD
- Elizabethtown-Lewis CSD
- Ellenville CSD
- Elmira City SD
- Elmira Heights CSD
- Elmont UFSD
- Elmsford UFSD
- Elwood UFSD
- Erie 1 BOCES
- Fairport CSD
- Fallsburg CSD
- Farmingdale UFSD
- Fire Island UFSD
- Fishers Island UFSD
- Floral Park-Bellerose UFSD
- Fort Plain CSD
- Franklin CSD
- Franklin Square UFSD
- Franklin-Essex-Hamilton BOCES
- Freeport UFSD
- Fulton City SD
- Galway CSD
- Garden City UFSD
- Garrison UFSD
- Gates-Chili CSD
- Glen Cove City SD
- Glens Falls City SD
- Goshen CSD
- Grand Island CSD
- Great Neck UFSD
- Greece UFSD
- Green Island CSD
- Greenburgh #7 CSD
- Greenport UFSD
- Greenwood Lake UFSD
- Haldane CSD
- Half Hollow Hills CSD
- Hamburg CSD
- Hamilton CSD
- Hamilton-Fulton-Montgomery BOCES
- Hampton Bays CSD
- Hannibal CSD
- Harborfields CSD
- Harrison CSD
- Hastings-on-Hudson UFSD
- Hauppauge UFSD
- Haverstraw-Stony Point CSD
- Hendrick Hudson CSD
- Herricks UFSD
- Hewlett-Woodmere UFSD
- Hicksville UFSD
- Highland CSD
- Highland Falls-Ft. Montgomery CSD
- Hilton CSD
- Holland CSD
- Homer CSD
- Honeoye Falls-Lima CSD
- Hoosic Valley CSD
- Huntington UFSD
- Hyde Park CSD
- Iroquois CSD
- Irvington UFSD
- Island Park UFSD
- Island Trees UFSD
- Islip UFSD
- Ithaca City SD
- Jericho UFSD
- Jordan Elbridge CSD
- Katonah-Lewisboro UFSD
- Keene CSD
- Kendall CSD
- Kenmore/Town of Tonawanda UFSD
- Kings Park CSD
- Lafayette CSD
- Lake Pleasant CSD
- Lakeland CSD
- Lansingburgh CSD
- Laurens CSD
- Lawrence UFSD
- Levittown UFSD
- Liberty CSD
- Lindenhurst UFSD
- Lisbon CSD
- Livingston Manor CSD
- Locust Valley CSD
- Long Beach City SD
- Longwood CSD
- Lynbrook UFSD
- Lyncourt UFSD

- Madison CSD
- Madrid-Waddington CSD
- Mahopac CSD
- Maine-Endwell CSD
- Malone CSD
- Malverne UFSD
- Mamaroneck UFSD
- Manhasset Public Schools
- Margaretville CSD
- Marlboro CSD
- Massapequa UFSD
- Mattituck-Cutchogue UFSD
- McGraw CSD
- Merrick UFSD
- Middle Country CSD
- Middleburgh CSD
- Milford CSD
- Millbrook CSD
- Mineola UFSD
- Minerva CSD
- Monroe I BOCES
- Monroe II BOCES
- Monroe-Woodbury CSD
- Montauk UFSD
- Monticello CSD
- Moriah CSD
- Morris CSD
- Mount Pleasant CSD
- Mount Sinai CSD
- Mount Vernon City SD
- Nanuet UFSD
- Nassau BOCES
- New Hyde Park/
Garden City Park UFSD
- New Paltz CSD
- New Rochelle City SD
- New Suffolk Common SD
- Newark Valley CSD
- Newburgh City SD
- Newcomb CSD
- Niagara Falls City SD
- Niagara Wheatfield CSD
- North Babylon UFSD
- North Bellmore UFSD
- North Collins CSD
- North Colonie CSD
- North Merrick UFSD
- North Salem CSD
- North Shore CSD
- Northeast CSD
- Northeastern Clinton CSD
- Northport-
East Northport UFSD
- Northville CSD
- Norwood-Norfolk CSD
- Nyack UFSD
- Oakfield Alabama CSD
- Oceanside UFSD
- Oneonta City SD
- Onondaga-Cortland-
Madison BOCES
- Oppenheim-Ephratah-
St. Johnsville CSD
- Orange-Ulster BOCES
- Ossining UFSD
- Oswego City SD
- Otsego-Northern
Catskills BOCES
- Oyster Bay/E. Norwich CSD
- Oysterponds UFSD
- Patchogue-Medford UFSD
- Pavilion CSD
- Pawling CSD
- Pearl River UFSD
- Peekskill City SD
- Pelham UFSD
- Peru CSD
- Pine Plains CSD
- Pine Valley CSD
- Piseco Common SD
- Pittsford CSD
- Plainedge UFSD
- Plainview-Old Bethpage CSD
- Pleasantville UFSD
- Pocantico Hills CSD
- Port Chester-Rye UFSD
- Port Jefferson UFSD
- Port Jervis City SD
- Port Washington UFSD
- Potsdam CSD
- Poughkeepsie City SD
- Pulaski CSD
- Putnam CSD
- Putnam Valley CSD
- Putnam-Northern
Westchester BOCES
- Quogue UFSD
- Ramapo CSD
- Red Hook CSD
- Remsenburg-Speonk UFSD
- Riverhead CSD
- Rockland BOCES
- Rockville Centre UFSD
- Romulus CSD
- Rondout Valley CSD
- Roosevelt UFSD
- Roscoe CSD
- Roslyn Public Schools
- Roxbury CSD
- Rush-Henrietta CSD
- Rye City SD
- Rye Neck UFSD
- Sachem CSD
- Sag Harbor UFSD
- Salmon River CSD
- Sandy Creek CSD
- Saranac CSD
- Saratoga Springs City SD
- Sayville UFSD
- Scarsdale UFSD
- Schalmont CSD
- Schenevus CSD
- Seaford UFSD
- Seneca Falls CSD
- Sewanhaka CHSD
- Shelter Island UFSD
- Sherburne-Earlville CSD
- Shoreham-Wading River CSD
- Smithtown CSD
- So. Westchester BOCES
- Somers CSD
- South Country CSD
- South Huntington UFSD
- South Orangetown CSD
- Southampton Public Schools
- Southern Cayuga CSD
- Southold UFSD
- Southwestern CSD
- Springs UFSD
- Starpoint CSD
- Sullivan BOCES
- Sullivan West CSD
- Sweet Home CSD
- Syosset CSD
- Taconic Hills CSD
- Tarrytown UFSD
- Three Village CSD
- Ticonderoga CSD
- Tonawanda City SD
- Troy City SD
- Tuckahoe Common SD
- Tuckahoe UFSD
- Tuxedo UFSD
- Ulster BOCES
- Unadilla Valley CSD
- Unatego CSD
- Uniondale UFSD
- Valhalla UFSD
- Valley CSD
- Valley Stream CHSD
- Valley Stream-13 UFSD
- Valley Stream-24 UFSD
- Valley Stream-30 UFSD
- Vernon-Verona-
Sherrill CSD
- Wainscott Common SD
- Wallkill CSD
- Wantagh UFSD
- Wappingers CSD
- Waterloo CSD
- Watkins Glen CSD
- Webster CSD
- Weedsport CSD
- West Babylon UFSD
- West Hempstead UFSD
- West Irondequoit CSD
- West Seneca CSD
- Westbury UFSD
- Western Suffolk BOCES
- Westhampton
Beach UFSD
- Westport CSD
- White Plains City SD
- Whitehall CSD
- William Floyd UFSD
- Williamsville CSD
- Willsboro CSD
- Wilson CSD
- Windham-Ashland-
Jewett CSD
- Worcester CSD
- Yorktown CSD

BALANCE SHEETS – STATUTORY BASIS AS OF DECEMBER 31, 2018, AND DECEMBER 31, 2017 (2018 APPEARS IN BOLD)

ADMITTED ASSETS – CASH AND INVESTED ASSETS:	2018	2017
Bonds	\$ 216,238,345	\$ 213,902,926
Equity securities	61,738,153	61,077,409
Short-term investments	6,326,288	12,729,356
Cash and cash equivalents	5,911,522	3,102,875
Other invested assets	24,876,866	23,665,807
Total cash and invested assets	315,091,174	314,478,373
Premiums receivable	1,036,152	183,518
Accrued investment income	1,470,975	1,286,077
Reinsurance recoverable on paid losses	654,315	64,227
EDP equipment and software	1,253,654	1,784,753
Total admitted assets	\$ 319,506,269	\$ 317,796,948
LIABILITIES AND POLICYHOLDERS' SURPLUS		
LIABILITIES		
RESERVES:		
Unpaid losses and loss adjustment expenses	\$ 115,297,536	\$ 100,576,938
Unearned premiums	32,184,738	30,939,167
Total reserves	147,482,274	131,516,105
Ceded reinsurance balances payable	232,147	559,566
Provision for reinsurance	1,616,050	1,438,631
Accrued expenses and other liabilities	1,825,332	1,348,889
Total liabilities	151,155,803	134,863,191
POLICYHOLDERS' SURPLUS:		
Unassigned funds	168,350,466	182,933,757
Total policyholders' surplus	168,350,466	182,933,757
Total liabilities and policyholders' surplus	\$ 319,506,269	\$ 317,796,948

NYSIR complies with both Generally Accepted Accounting Principles (GAAP) and Statutory Accounting Practices. The statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of the New York Schools Insurance Reciprocal at Dec. 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting practices prescribed or permitted by the New York State Department of Financial Services.

PROFIT AND LOSS – STATUTORY BASIS AS OF DECEMBER 31, 2018, AND DECEMBER 31, 2017

STATEMENTS OF INCOME	2018	2017
Net premiums written	\$ 63,792,369	\$ 61,782,142
Decrease (increase) in net unearned premiums	(1,245,571)	(86,035)
Net premiums earned	62,546,798	61,696,107
Losses and loss adjustment expenses incurred	65,492,906	51,846,630
Other underwriting expenses incurred	13,406,817	12,172,422
Underwriting gain	(16,352,925)	(2,322,945)
Net investment income	6,295,236	5,377,700
Net realized capital gains	(815,750)	168,237
Net income	\$ (10,873,633)	\$ 3,222,992

PROFIT AND LOSS (CONTINUED) - STATUTORY BASIS AS OF DECEMBER 31, 2018, AND DECEMBER 31, 2017

STATEMENTS OF POLICYHOLDERS' SURPLUS

Policyholders' surplus at beginning of year	\$ 182,933,757	\$ 171,339,929
Increase (decrease) in policyholders' surplus:		
Net income	(10,873,633)	3,222,992
Change in net unrealized gains and losses	(3,632,521)	8,066,803
Change in provision for reinsurance	(177,419)	45,842
Surplus paid-in	-	258,191
Net increase in policyholders' surplus	(14,583,290)	11,593,828
Policyholders' surplus at end of year	\$ 168,350,466	\$ 182,933,757

CASH FLOW - STATUTORY BASIS AS OF DECEMBER 31, 2018, AND DECEMBER 31, 2017

OPERATIONS	2018	2017
Premiums received, net of reinsurance	\$ 62,688,907	\$ 62,093,842
Losses and loss adjustment expenses paid	(31,648,029)	(22,525,225)
Other underwriting expenses paid	(33,751,311)	(31,673,861)
Net investment income received	6,357,028	5,745,983
Net cash provided by operations	3,646,594	13,640,739

INVESTING ACTIVITIES

Proceeds from sales, maturities or repayment of bonds	100,969,466	96,877,225
Net gain on disposal of short-term investments	(145,824)	(73,116)
Cost of bonds acquired	(90,986,617)	(91,644,825)
Cost of stocks acquired	(18,684,960)	(15,613,729)
Net cash used in investing activities	(8,847,935)	(10,454,445)

FINANCING AND MISCELLANEOUS ACTIVITIES

Surplus paid-in	-	-
Other miscellaneous activities	1,606,920	(1,582,915)
Total cash used in financing and miscellaneous activities	1,606,920	(1,582,915)
Net increase (decrease) in cash equivalents and short-term investments	(3,594,421)	1,859,007
Cash, cash equivalents and short-term investments at beginning of year	15,832,231	13,973,224
Cash, cash equivalents and short-term investments at end of year	12,237,810	15,832,231

The New York State Department of Financial Services examines NYSIR's financial statements. In addition, NYSIR is audited by Crowe Horwath LLP, a national firm of independent certified public accountants. NYSIR's internal auditor provides a continuing review of internal controls and operations of the company and regularly reports to NYSIR's Finance and Executive committees.

NYSIR's 2018 financial statements have been audited by the independent auditors. The condensed financial information shown here has been derived from the complete financial statements on which the independent auditors issued their unqualified opinion dated May 31, 2019. Management is responsible for the preparation, integrity and objectivity of the financial statements and other financial data in this report. Forward-looking statements from management about future operations, capital spending and the expectations of NYSIR are made in good faith and are reasonable representations of NYSIR's expected performance at the time.

Actual results may vary from management's stated expectations and projections due to a variety of factors. Copies of the complete audited financial statements for the New York Schools Insurance Reciprocal are available for inspection. For further information, contact the office of the executive director, NYSIR, 333 Earle Ovington Blvd., Suite 905, Uniondale, NY 11553.



NEW YORK SCHOOLS INSURANCE RECIPROCAL

333 EARLE OVINGTON BOULEVARD | SUITE 905 | UNIONDALE, NEW YORK 11553
TOLL-FREE 1.800.ISNYSIR | 516.393.2320 | FAX 516.227.2352 | WWW.NYSIR.ORG