



# New Jersey School Insurance Group

## Board of Trustees Meeting

Presented by: Stacy L.T. Mina, FCAS, MAAA, CPCU

September 19, 2022



# Agenda

- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2022
- Potential Rate Implications for Program Year 2023-24
- Questions
- Appendix

# Scope and Distribution



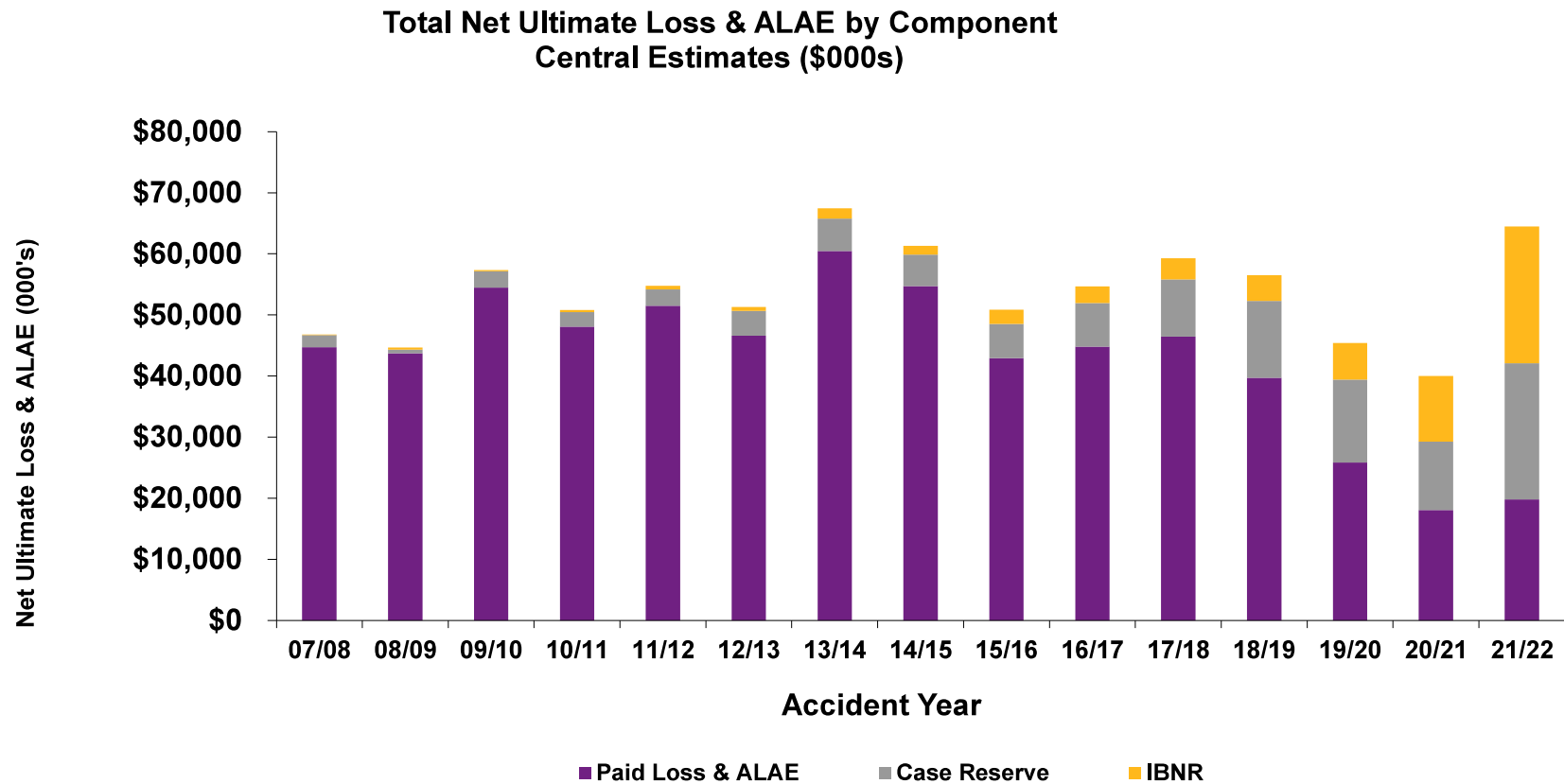
# Scope and Distribution

- NJSIG retained WTW to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2022
- WTW presented the results of its review in a draft report dated September 12, 2022
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- The report provides unpaid loss estimates at an actuarial central estimate and above the central estimate
- The following slides provide a high-level summary of WTW's report
- Any conclusions drawn from these slides may be inappropriate and/or incomplete without a thorough reading of the full report
- The distribution of the slides contained herein is limited to the management of NJSIG and its Board of Trustees
- Ann M. Conway and Stacy L.T. Mina are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein

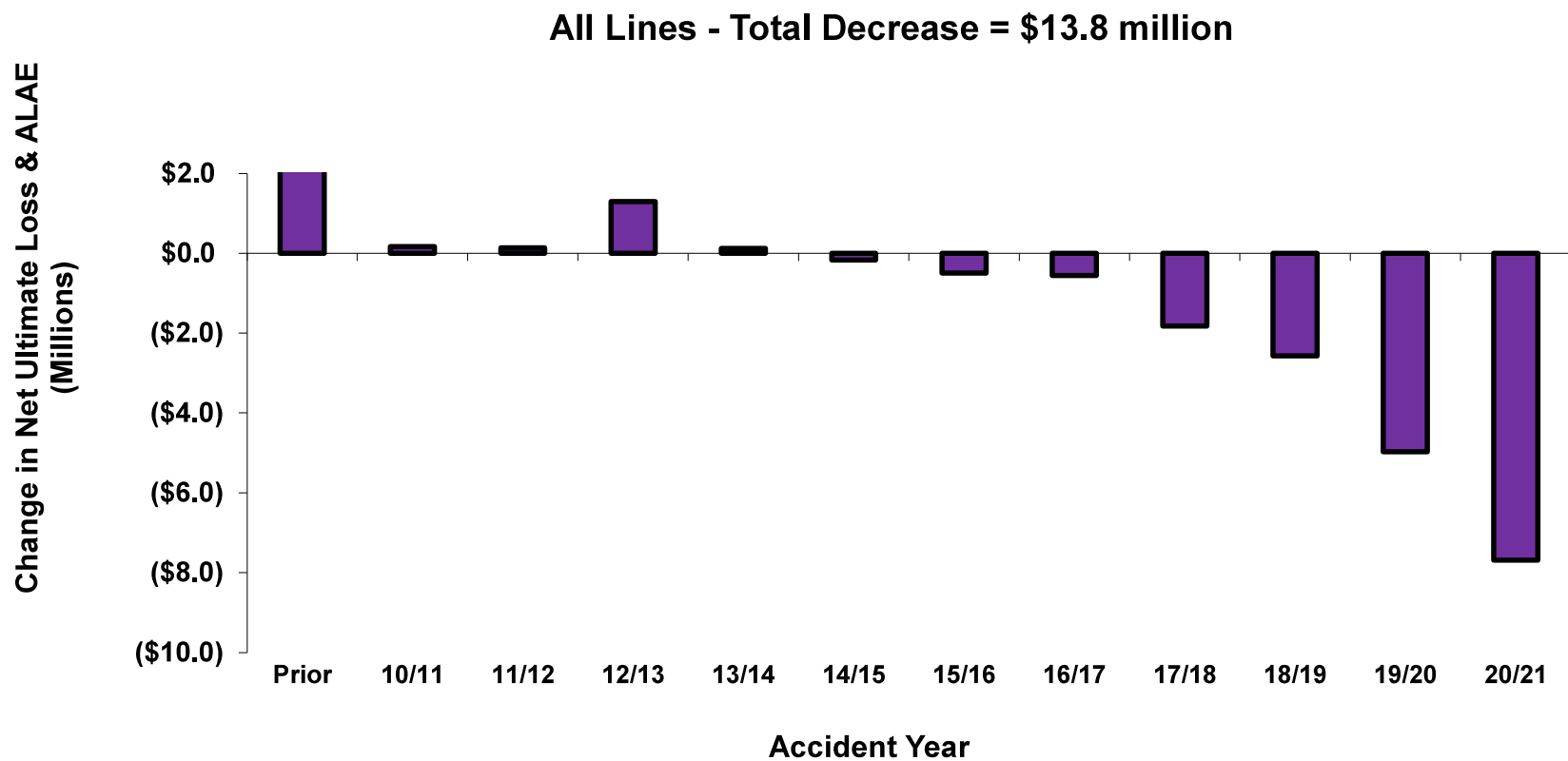


## Indicated Loss & ALAE Liabilities as of June 30, 2022

As an accident year ages, IBNR generally decreases and paid losses increase; more uncertainty in recent years' estimates

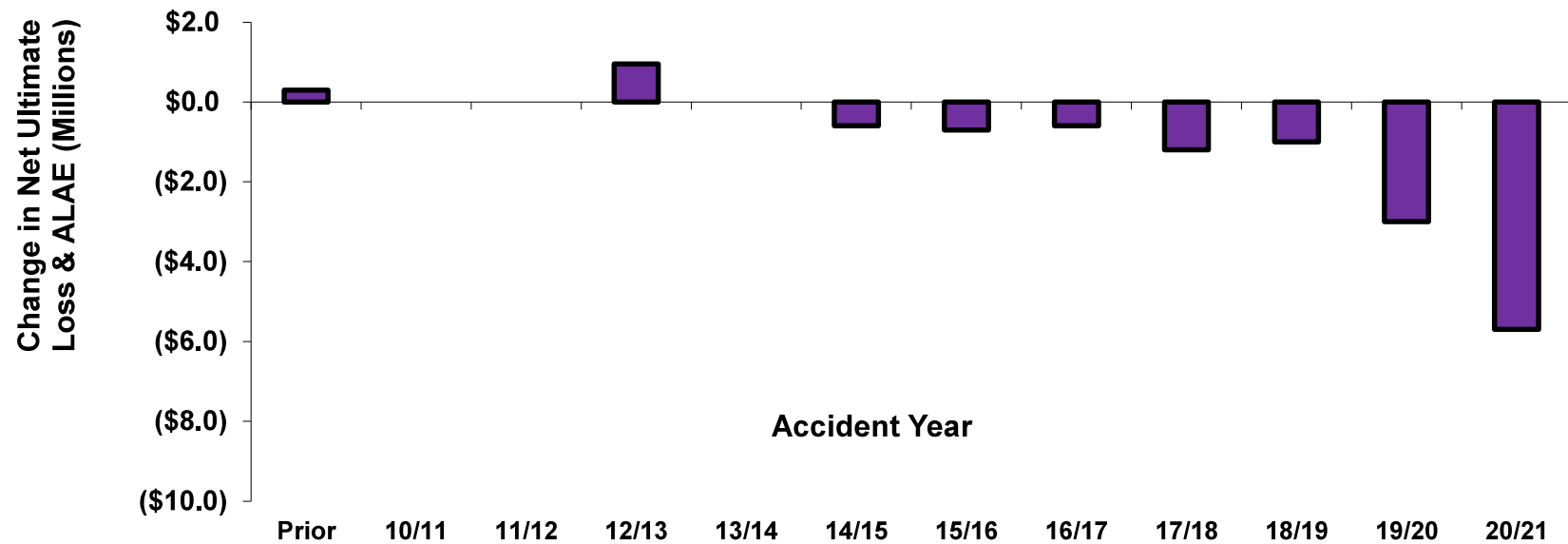


# Emergence during fiscal year 2021-2022 was favorable



# Workers compensation emergence favorable across nearly all accident years

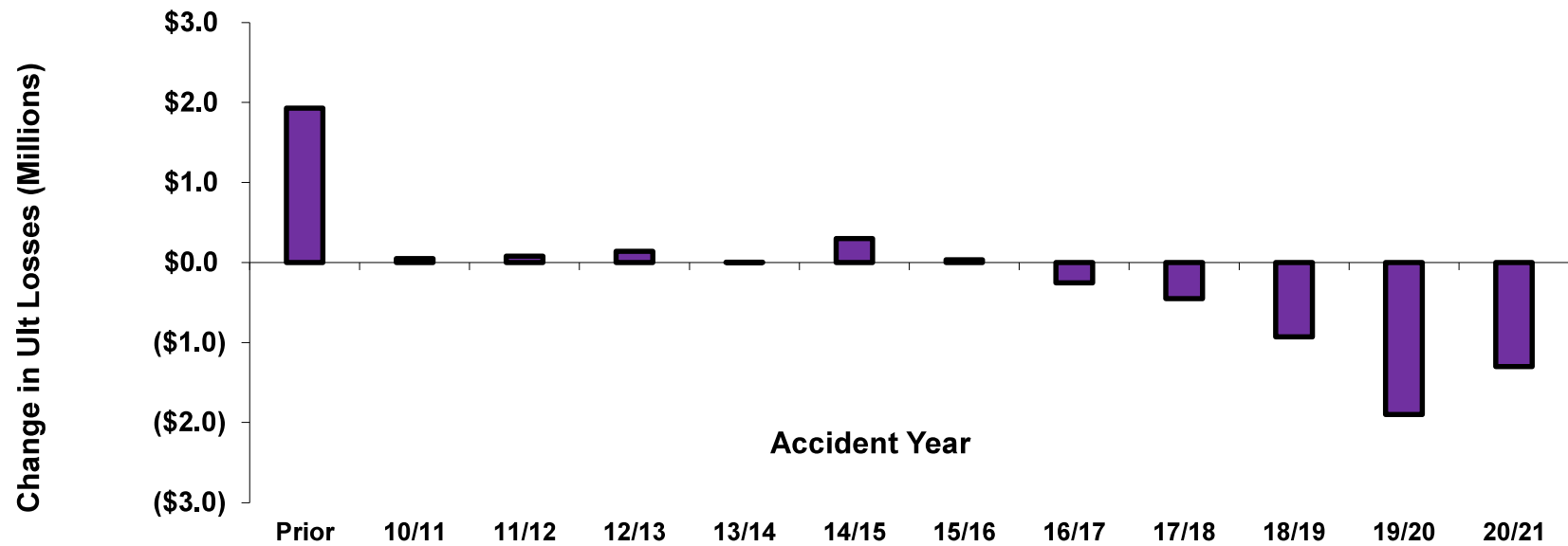
Workers Compensation - Total Decrease = \$11.6 million





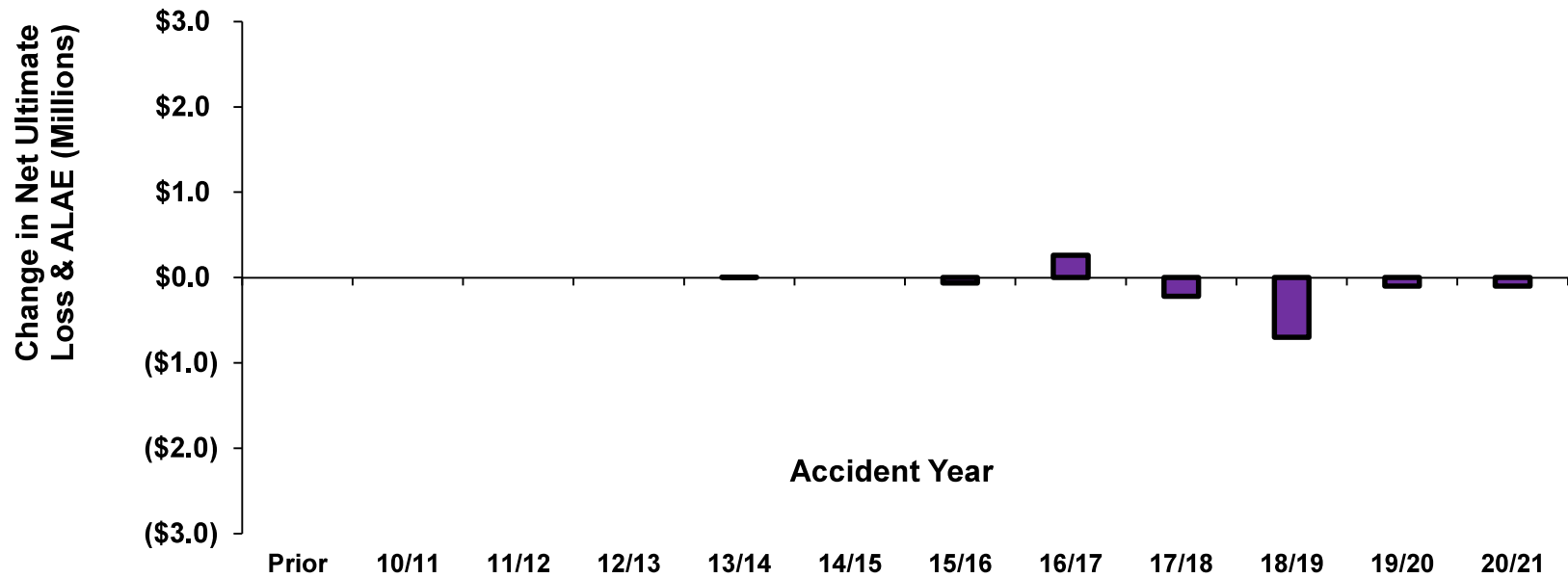
For general liability improvement in recent years more than offset deterioration in older years

General Liability - Total Decrease = \$2.3 million



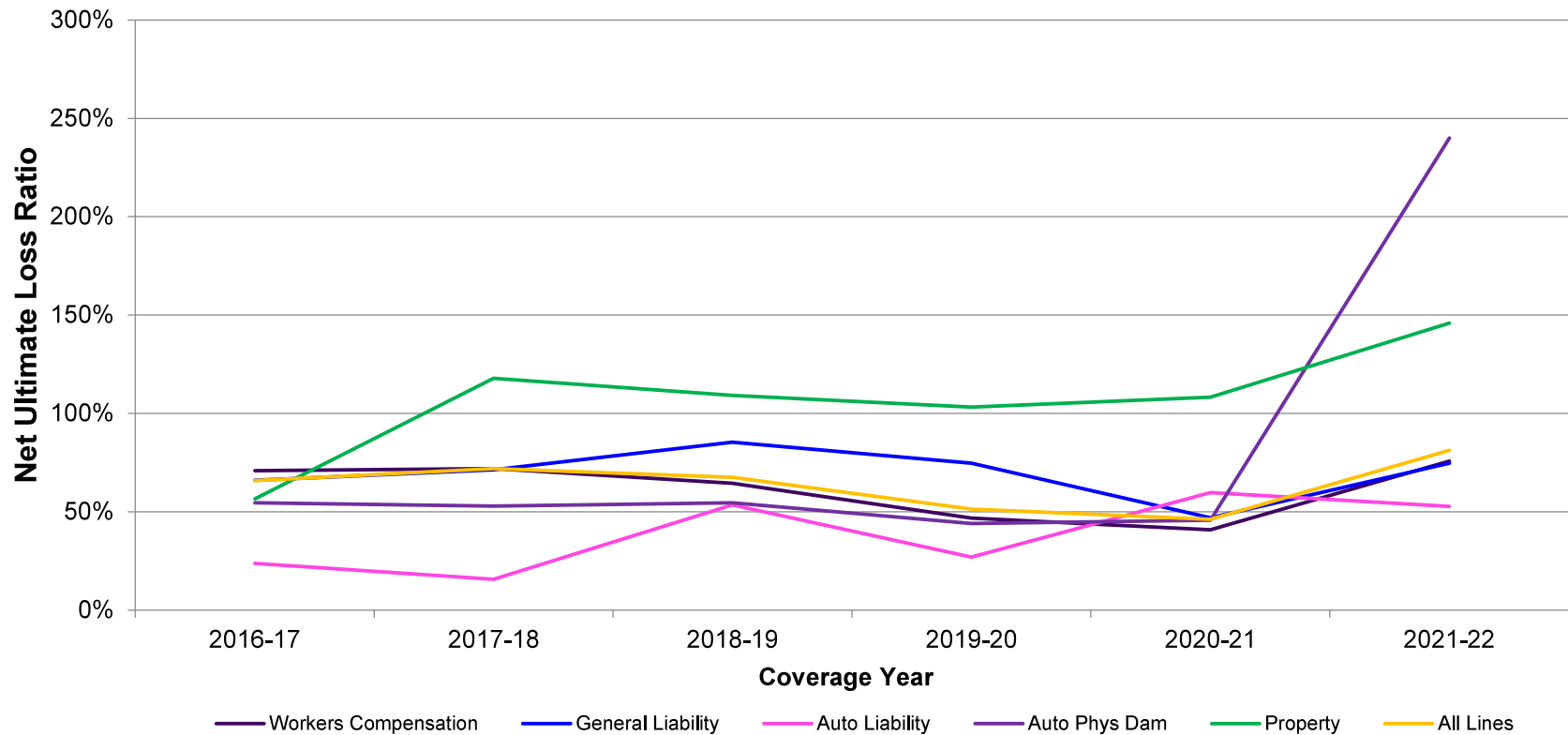
# Auto liability emergence is favorable overall, but there was minor deterioration in the older accident years

Auto Liability - Total Decrease = \$0.9 million



The 2020-21 and 2021-22 all lines net loss and ALAE ratios are at a historical low, driven by the impact of COVID on workers compensation claims

Net Ultimate Loss Ratio as of June 30, 2022



# Unallocated Loss Adjustment Expense Liability

- We use a blend of NJSIG and insurance industry data
- Indicated liabilities at central estimate increased from \$8.9 to \$9.8 million
- Booked reserves are \$10.3 million (65% confidence level)

# Loss and LAE reserve variability can significantly impact surplus

## Impact of Variability on Booked Loss and LAE Reserves and Surplus (\$ Millions)

	Liabilities @6/30/2022	Difference versus Booked	Surplus
Booked*	\$192.3	\$—	\$187.0
Central Estimate	181.7	(10.6)	197.6
65% Percentile	192.3	0.0	187.0
75% Percentile	201.6	9.3	177.7
90% Percentile	222.3	30.0	157.0

\*Booked numbers are prior to any safety grants or COVID-19 relief.



## Potential Rate Implications for Program Year 2022-23

# Preliminary Rate Indications

- The results that follow are based on our June 30, 2022 liability analysis; actual rate indications will be based on data evaluated as of September 30, 2022
- WTW has not performed an in-depth analysis of rates at this point

The July 1, 2023 rate level indication implies lower rates in total driven by favorable workers compensation results

Coverage	Initial Expected 2023-24 Rate Change	Direction of 2023-24 Rate Indication from Initial Expected
Workers Compensation	4%	Lower
General Liability	9%	Lower
Auto Liability	0%	Lower
Auto Physical Damage	4%	Higher
Property	7%	Flat to Higher
Total	4%	Lower



# Questions and Discussion



# Appendix



# There is uncertainty inherent in the estimates of unpaid loss and ALAE

- Our estimates are based on historical claim and loss information
- There is no guarantee that estimates will prove to be accurate, and will change with future updates as new data emerges
- Multiple projection techniques (methods and models) are used, which provide various indications of the ultimate loss and LAE
- The confidence levels provided here are not all inclusive
- These estimates are based on NJSIG's historical experience and do not reflect extreme events that have a remote possibility of occurring

# There is uncertainty inherent in the estimates of unpaid loss and ALAE (cont)

**The inherent uncertainty associated with ultimate loss and LAE estimates is magnified in this case due to the following:**

- NJSIG's mix of business is weighted toward coverages such as workers compensation and general liability for which the estimation of unpaid loss is more uncertain.
- NJSIG has relatively high per occurrence retentions, which increases the uncertainty.
- The geographic (New Jersey) and industry (schools) concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events.
- The passage of SAM legislation in New Jersey significantly extends the statute of limitations and may impact loss amounts in ways that are not quantifiable at this time.
- Recent changes in claims handling procedures and coverage determination increase the uncertainty associated with our liability estimates.
- There are claims related to COVID-19 in the loss data provided to us. Our analysis does not make any adjustments for the impact of the coronavirus, except insofar as COVID-19 claims are in the loss data and are implicitly analyzed.
- Recent changes in general inflation, particularly in the cost of materials and labor costs related to property damage repairs, could have an impact on the run-off of reserves.
- NJSIG's liability lines are subject to social inflation, that is, increases in claim settlement amounts and jury awards for cases that exceed increases expected from economic inflation.

# Glossary

AL – Automobile liability

ALAE – Allocated loss adjustment expense

APD – Automobile physical damage

Case Reserves – claim value estimate set by adjuster (reported loss – paid loss)

E&O – Errors and omissions

Frequency – Claims per unit of exposure

GL – General Liability

IBNR – Incurred But Not Reported (ultimate loss – reported loss)

LAE – Loss adjustment expense (ALAE + ULAE)

Severity – Average loss per claim

ULAE – Unallocated loss adjustment expense

WC – Workers compensation