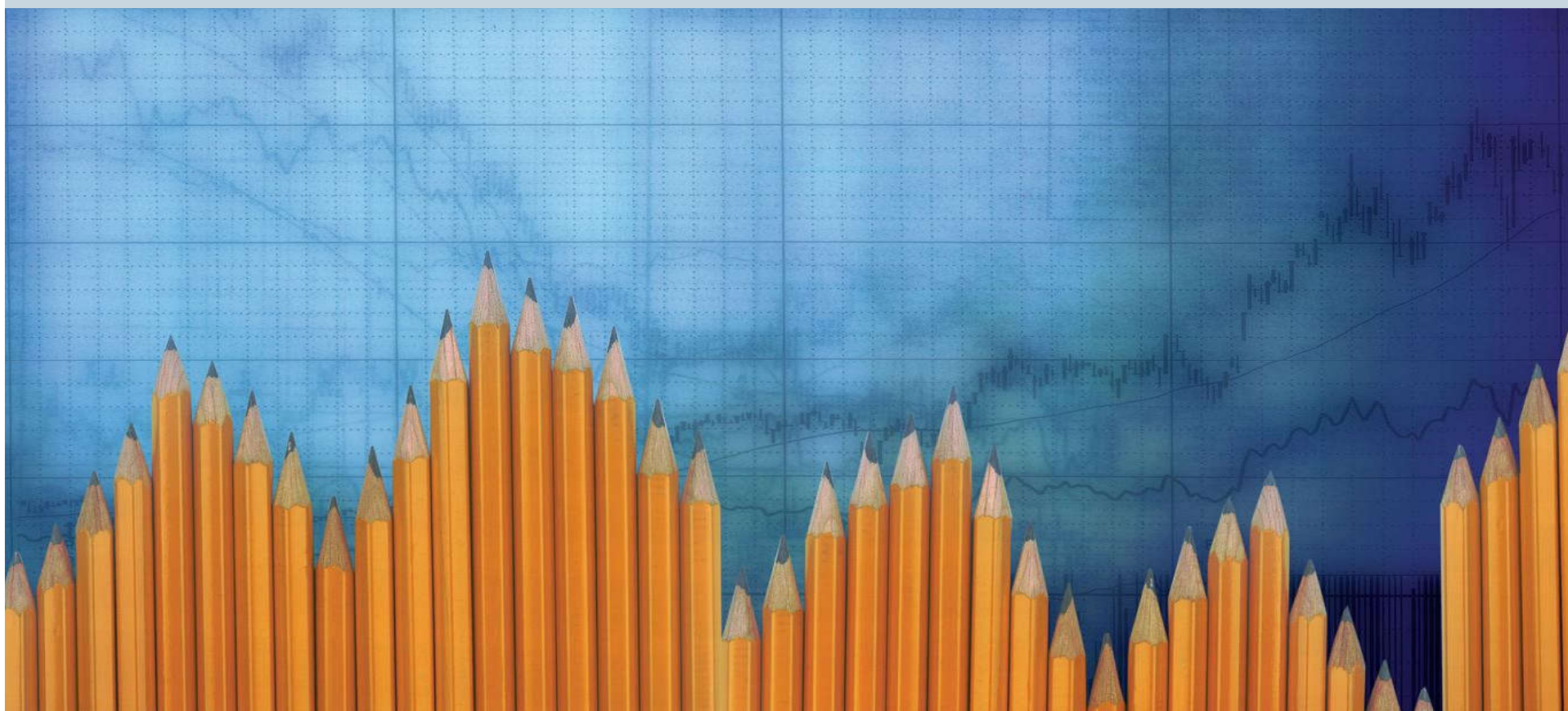


New Jersey School Insurance Group

Board of Directors Meeting

September 15, 2021

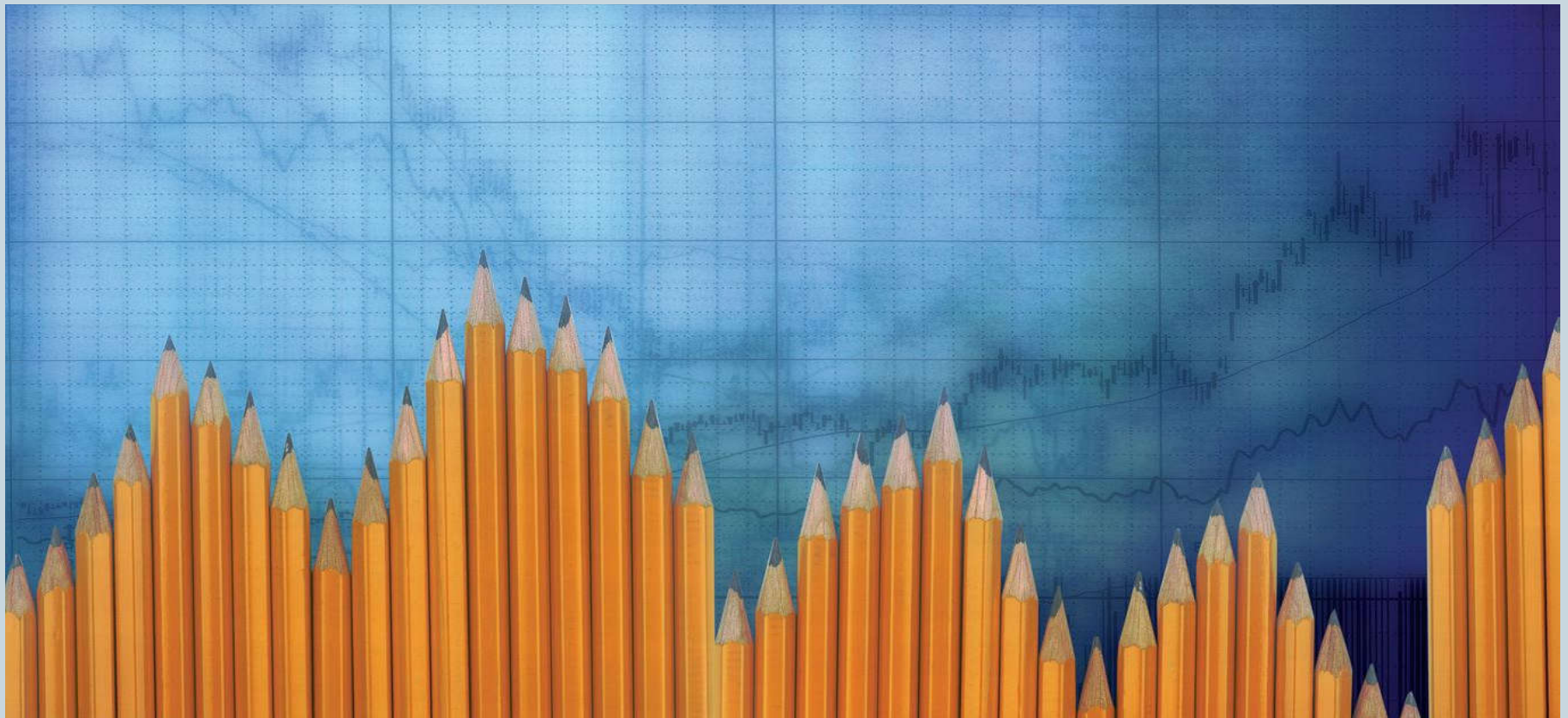
Presented by: Stacy L.T. Mina, FCAS, MAAA, CPCU



Agenda

- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2021
- Potential Rate Implications for Program Year 2022-23
- Questions
- Appendix

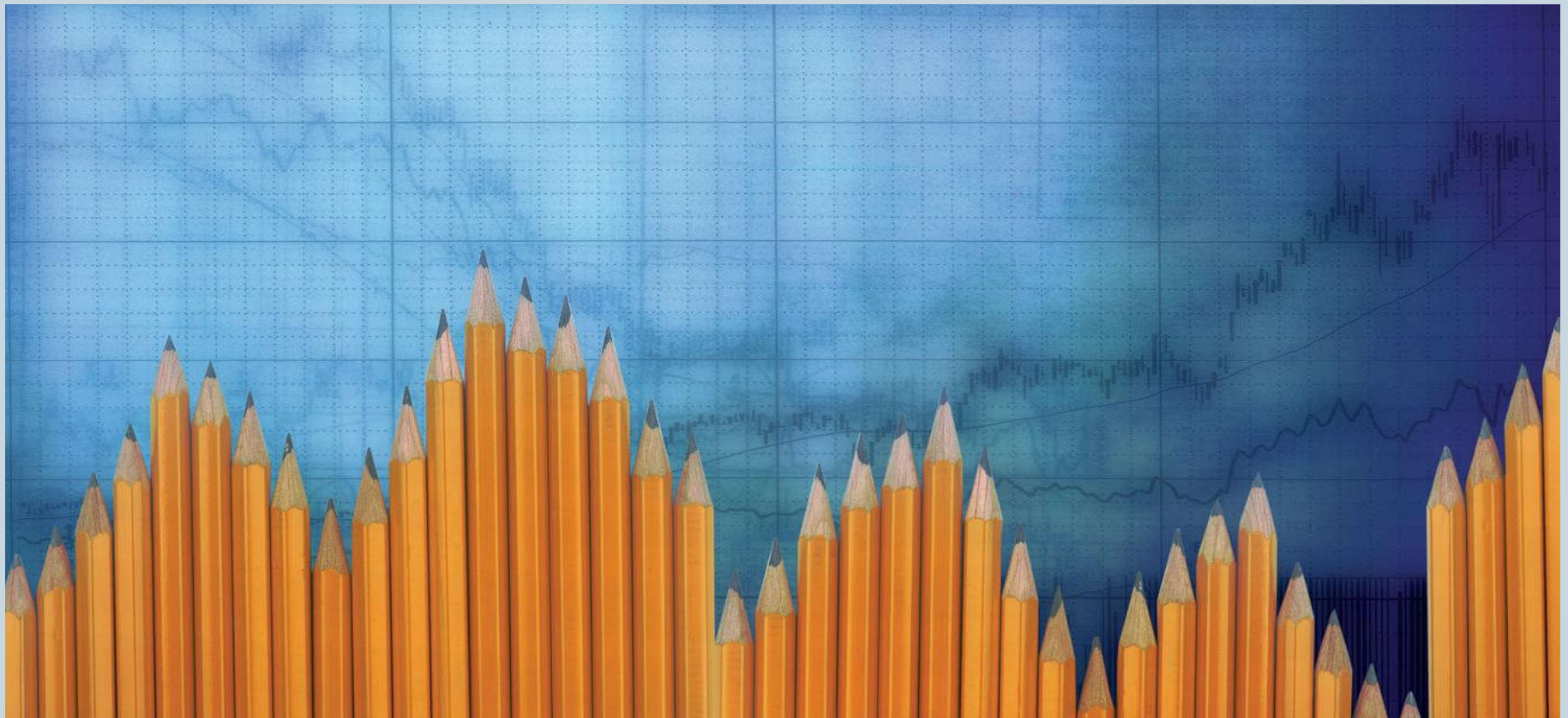
Scope and Distribution



Scope and Distribution

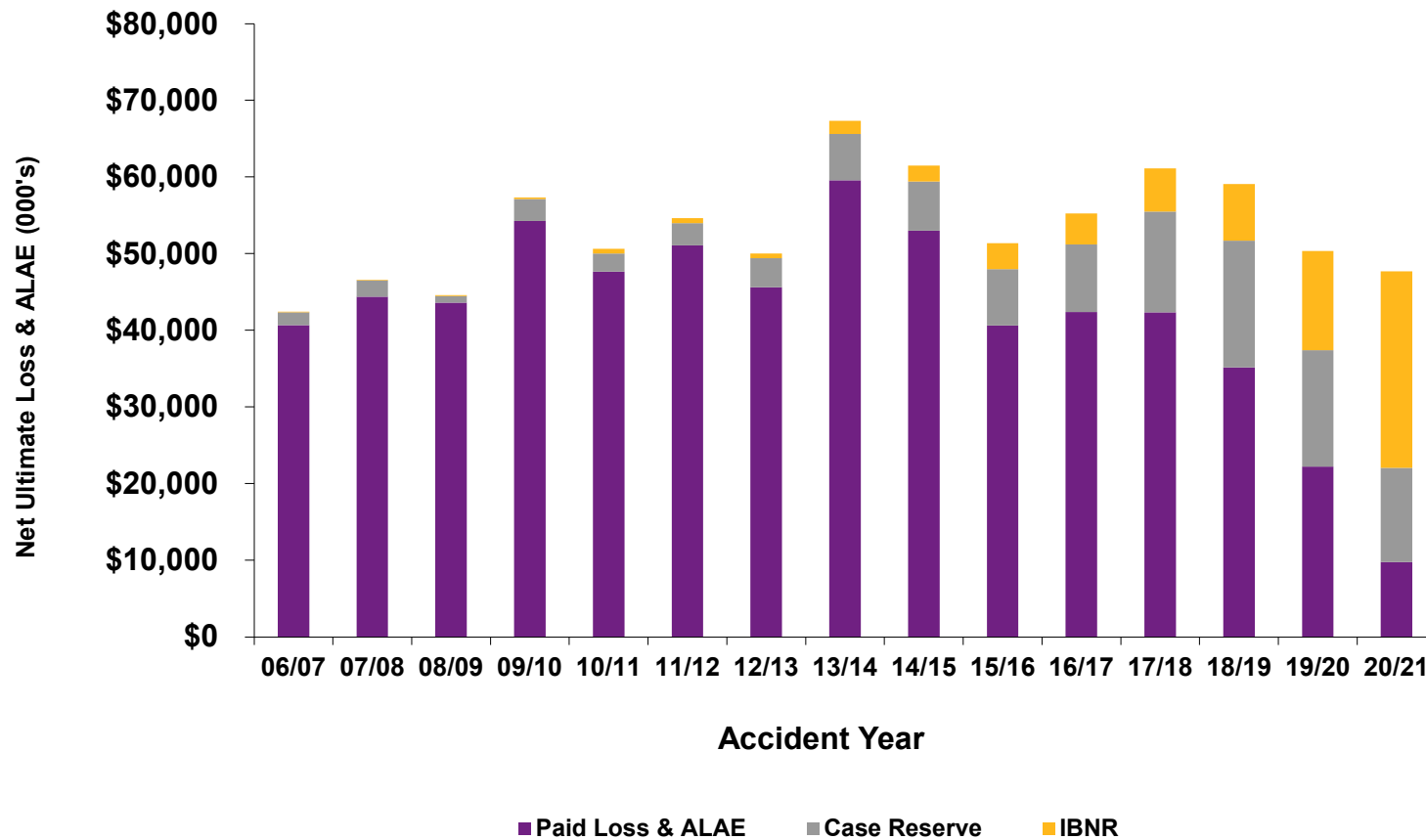
- NJSIG retained Willis Towers Watson to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2021
- Willis Towers Watson presented the results of its review in a draft report dated August 31, 2021
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- The report provides unpaid loss estimates at an actuarial central estimate and above the central estimate
- The following slides provide a high-level summary of Willis Towers Watson'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, Stacy L.T. Mina and Cathy Yi 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, 2021

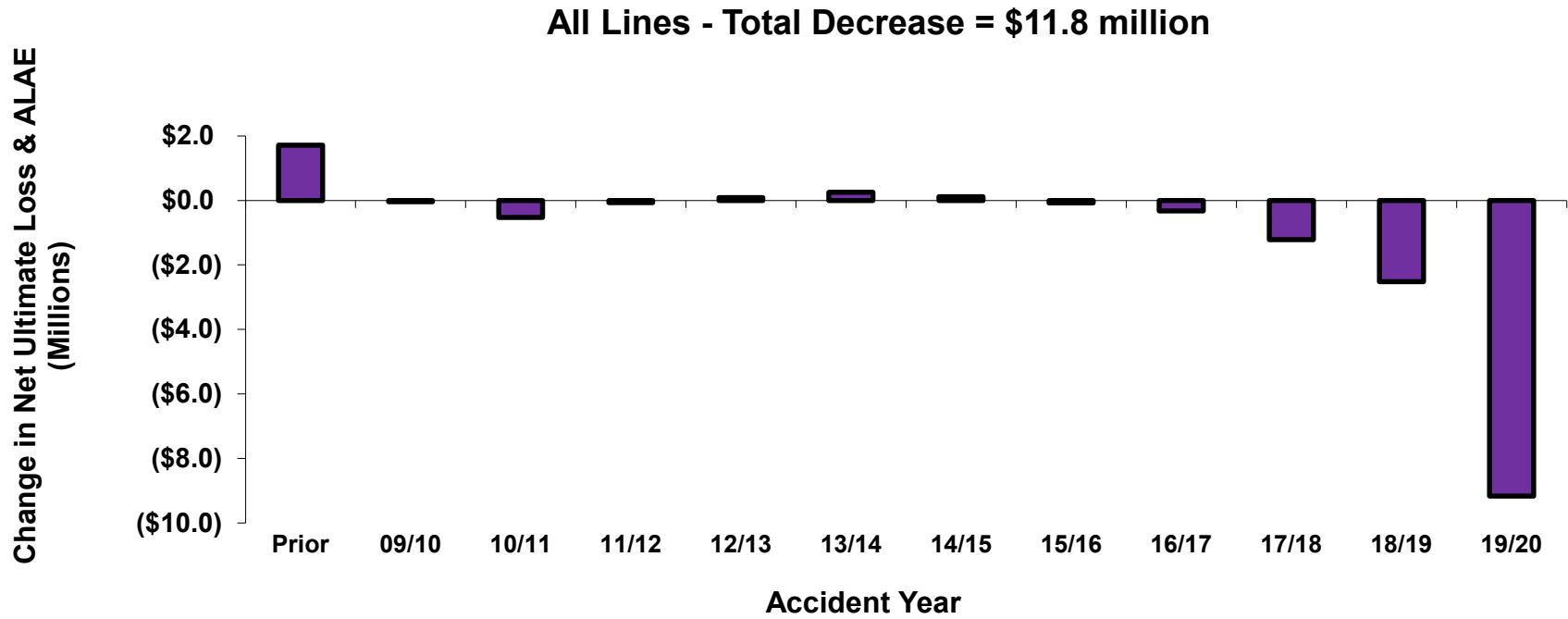


As an accident year ages, IBNR generally decreases and paid losses increase; more uncertainty in recent years' estimates

Total Net Ultimate Loss & ALAE by Component
Central Estimates (\$000s)

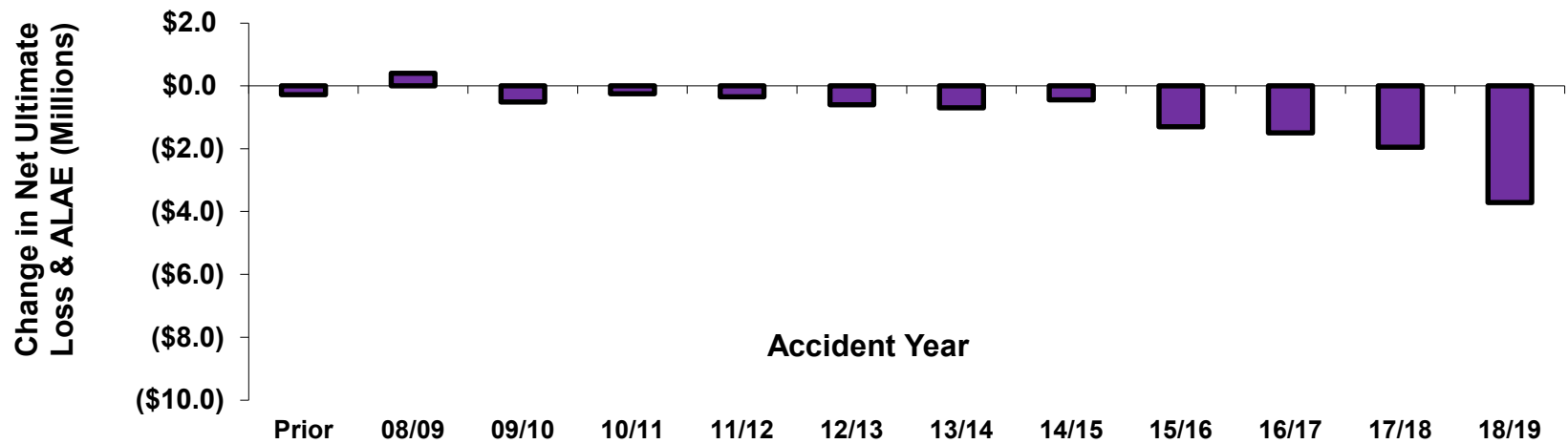


Emergence during fiscal year 2020-2021 was favorable



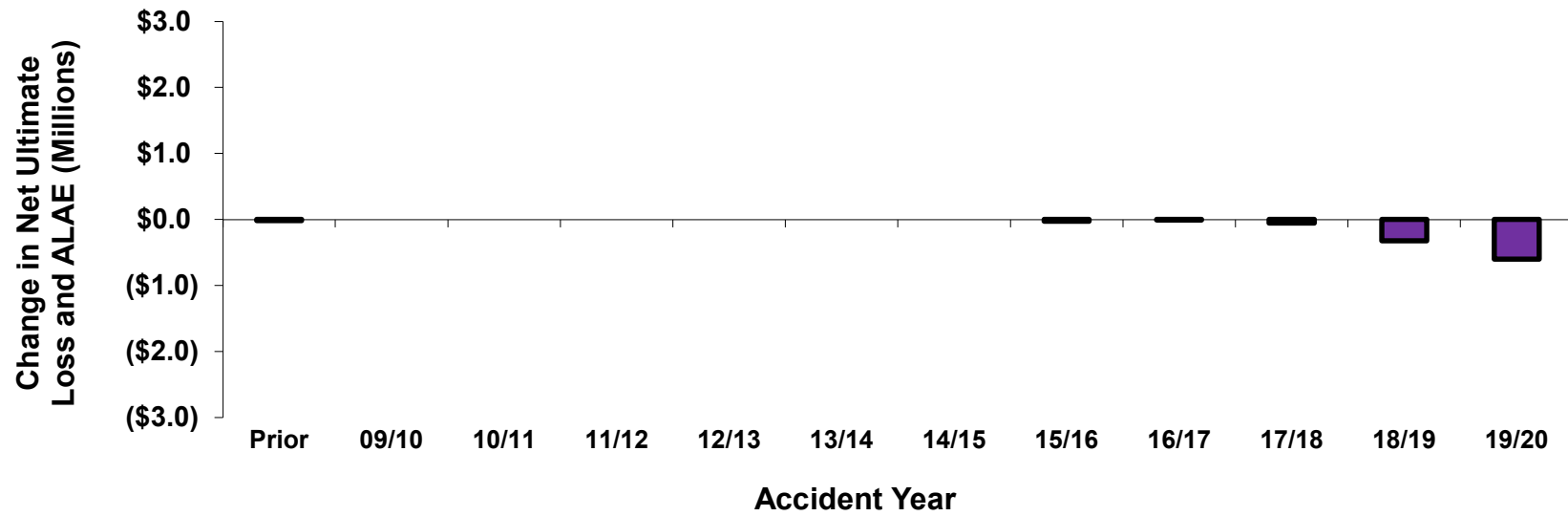
Workers compensation emergence favorable across nearly all accident years

Workers Compensation - Total Decrease = \$9.1 million



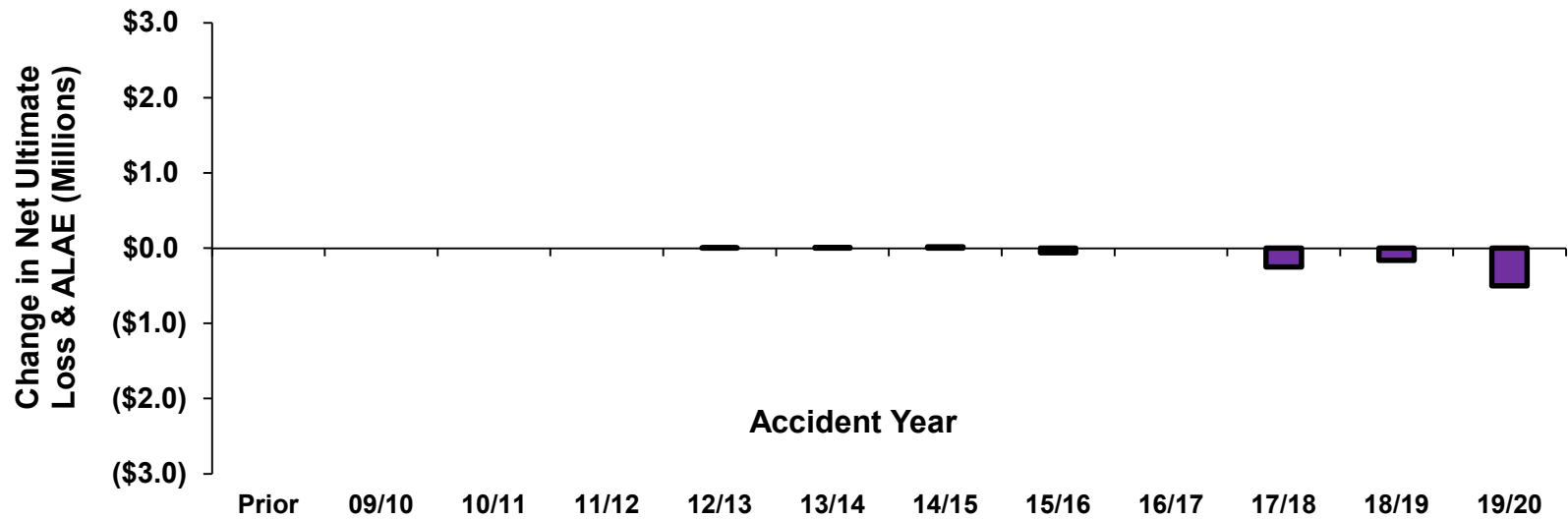
Property Ultimate Loss change since 2020

Property - Total Decrease = \$1.0 million



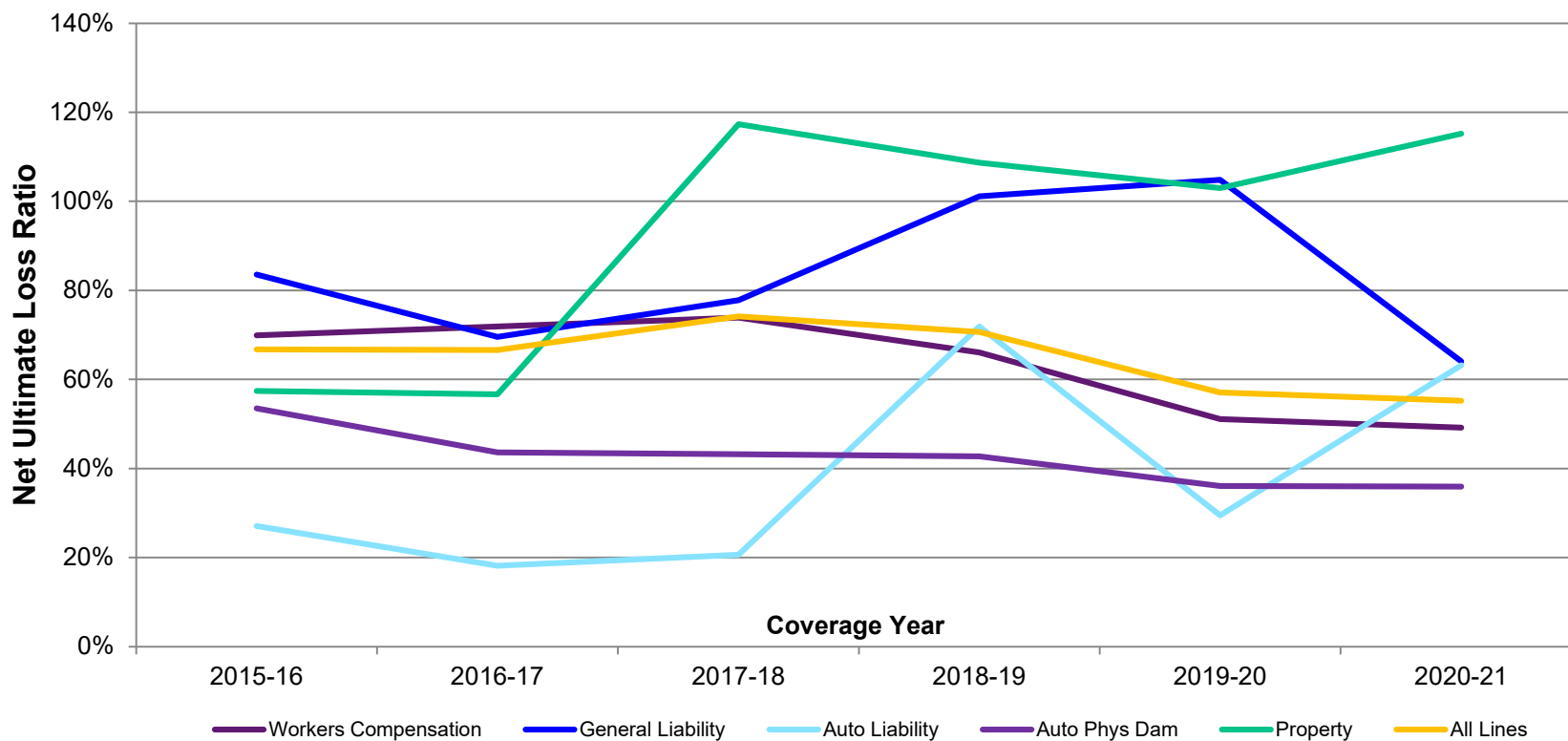
Auto Liability emergence is favorable overall, but has seen some deterioration in the older accident years

Auto Liability - Total Decrease = \$1.0 million



The 2019-20 and 2020-21 all lines net loss and ALAE ratios are at a historical low as result of lower reported workers compensation claims due to COVID

Net Ultimate Loss Ratio as of June 30, 2021



Unallocated Loss Adjustment Expense Liability

- We use a blend of NJSIG and insurance industry data
- Indicated liabilities at central estimate increased from \$8.2 to \$8.9 million
- Booked reserves are \$9.1 million (65% confidence level)

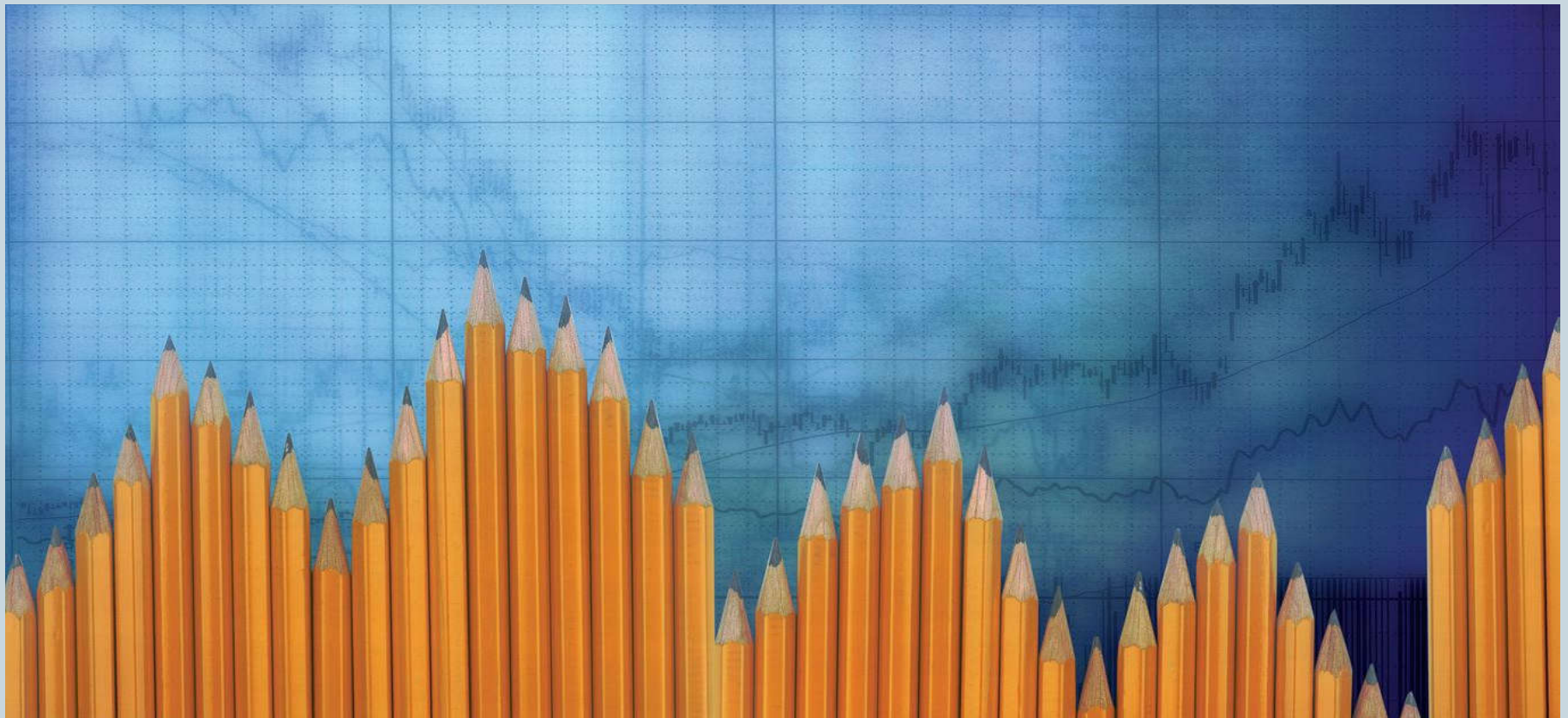
Loss and LAE reserve variability can significantly impact surplus

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

	Liabilities @6/30/2021	Difference versus Booked	Surplus
Booked*	\$192.3	\$—	\$180.2
Central Estimate	182.0	(10.4)	190.6
65% Percentile	192.3	0.0	180.2
75% Percentile	201.6	9.3	170.9
90% Percentile	222.3	30.0	150.3

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

Potential Rate Implications for Program Year 2021-22



Preliminary Rate Indications

- The results that follow are based on our June 30, 2021 liability analysis; actual rate indications will be based on data evaluated as of September 30, 2021
- Willis Towers Watson has not performed an in-depth analysis of rates at this point

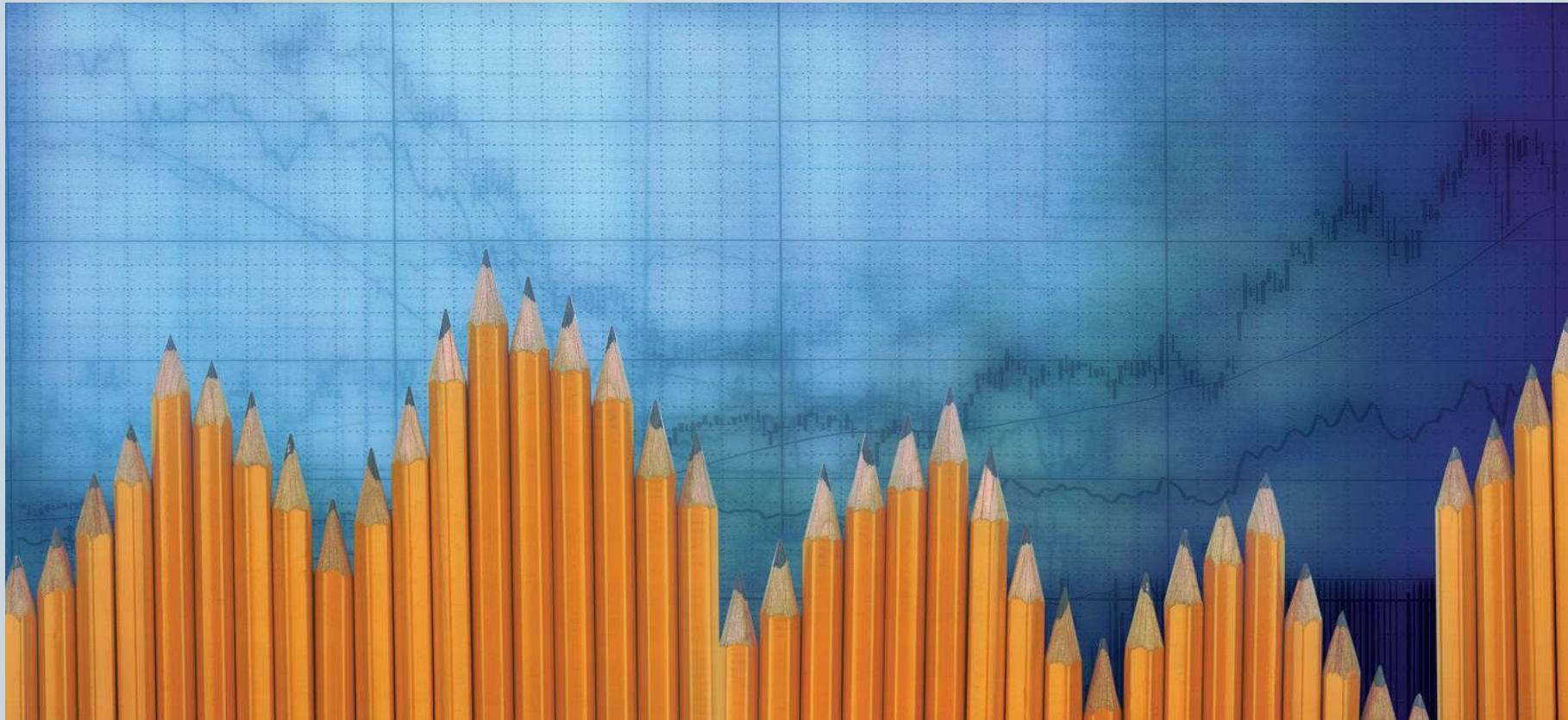
The July 1, 2022 rate level indication implies lower rates in total driven by workers compensation

Coverage	Initial Expected 2022-23 Rate Change	Direction of 2022-23 Rate Indication from Initial Expected
Workers Compensation	1%	Lower
General Liability	11%	Flat
Auto Liability	13%	Lower
Auto Physical Damage	4%	Flat
Property	5%	Flat to Lower
Total	2%	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 than for shorter-tailed property and casualty lines.
- NJSIG has relatively high per occurrence retentions, which increases the uncertainty associated with our liability estimates.
- The geographic (New Jersey) and industry (schools) concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., hurricanes).
- 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 may be 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, either from a claims standpoint or its effects on economic and legal activity, except insofar as COVID-19 claims are in the loss data and are implicitly analyzed. The level of uncertainty inherent in our conclusions and underlying volatility in potential future outcomes is therefore increased as a result of COVID-19.

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