



New Jersey Schools Insurance Group
6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
www.njsig.org

Board of Trustees Meeting of September 15, 2021
Action Item
Reserve Study as of June 30, 2021
NJSIG No. 0921-1

Representatives from Willis Towers Watson (WTW) will be available by telephone for their presentation of the June 30, 2021 reserve study and to answer any questions.

The WTW study presents the 06/30/2021 actuarially determined liability estimates for:

- (1) Estimated Net Unpaid Loss and Allocated Loss Adjustment Expense (ALAE)**
- (2) Unallocated Loss Adjustment Expense (ULAE)**

These liabilities are reflected at the 65% confidence level in the financials for NJSIG's 2020/2021 fund year.

Estimated Net Unpaid Loss and Allocated Loss Adjustment Expense (ALAE) liability:

WTW has estimated NJSIG's net unpaid loss and ALAE liabilities in a range for the 2020/2021 fund year. The estimated liability is shown by confidence levels. The 50% confidence level is \$173,053,000. They also opined at the 65%, 75% and 90% levels, which yielded reserves of \$183,242,000, \$192,114,000 and \$211,806,000, respectively. The higher the confidence level the more conservative the estimated liability.

NJSIG has chosen a confidence level of 65% for the 2020/2021 year resulting in an \$183,242,000 unpaid loss and ALAE liability.

Unallocated Loss Adjustment Expense (ULAE) liability:

WTW also performed an additional reserving analysis for 2020/2021 to determine NJSIG's liability for unpaid claims and unpaid losses and loss/claim adjustment expense. Their analysis resulted in Unallocated Loss Adjustment Expense (ULAE) liability amounts according to confidence levels. The 50% confidence level is \$8,900,000. They also opined at the 65%, 75% and 90% levels, which yielded reserves of \$9,100,000, \$9,500,000 and \$10,500,000, respectively. Again, the higher the confidence level the more conservative the estimated ULAE liability.

NJSIG has chosen a confidence level of 65% for the 2020/2021 year resulting in a \$9,100,000 ULAE liability

The 2020/2021 recommendation is to use the WTW's 65% confidence level of \$183,242,000 of unpaid loss and ALAE liabilities and \$9,100,000 of ULAE liabilities. The changes in these liabilities contribute \$8.1 million of income (for the unpaid loss and ALAE) and \$(400,000) of expense (for ULAE) to NJSIG's 2020/2021 change in net position. Prior to any 2020/2021 Safety Grant declarations, the resulting 2020/2021 net change in position will increase NJSIG's GAAP surplus from \$139.2 million to \$180.2 million. (Any Safety Grant allocation will decrease the 2020/2021 surplus by the exact safety grant amount.)

Recommended Resolution: Approve the 08/31/2021 draft WTW 06/30/2021 reserve study as as final and adopt the 65% confidence level estimates of unpaid loss and ALAE liability and the ULAE liability from this WTW 06/30/2021 reserve study. The 65% confidence level estimates are \$183,242,000 for the unpaid loss and ALAE liability and \$9,100,000 for the ULAE liability.

Michele Carosi
Chief Financial Officer