



New Jersey Schools Insurance Group  
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**Board of Trustees Meeting of October 18, 2023**  
**Action Item**  
**WTW Net Liabilities (Reserve) Study, Adoption**  
**NJSIG No. 1023-1**

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Representatives from Willis Towers Watson (WTW) will be available by telephone to present and to answer any questions about their September 21, 2023 draft reserve study, which presents the actuarially determined liability estimates as of June 30, 2023 for:

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

These liabilities are reflected at the central estimated (50%) confidence level in the financials for NJSIG's 2022/2023 fund year. This is a change from the 65% confidence level that was reflected in NJSIG's financials for the past several years.

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

WTW has provided a range of estimates by confidence level for NJSIG's net unpaid loss and ALAE liabilities for the 2022/2023 fund year. The central estimated (50%) confidence level is \$185,769,000. WTW also opined at the 65%, 75% and 90% levels, which yielded reserves of \$196,088,000, \$205,185,000 and \$225,048,000, respectively. The higher the confidence level, the more conservative the estimated liability.

NJSIG has chosen the central estimated (50%) confidence level for the 2022/2023 year, resulting in \$185,769,000 in unpaid loss and ALAE liability.

**Unallocated Loss Adjustment Expense (ULAE) liability:**

WTW performed an additional reserving analysis for 2022/2023 to determine NJSIG's liability for unpaid claims and unpaid losses and loss/claim adjustment

expenses and provided a range of estimates by confidence level. The central estimated (50%) confidence level is \$9,600,000. WTW also opined at the 65%, 75% and 90% levels, which yielded reserves of \$10,100,000, \$10,600,000 and \$11,600,000, respectively. Again, the higher the confidence level the more conservative the estimated ULAE liability.

NJSIG has chosen the central estimated (50%) confidence level for the 2022/2023 year, resulting in \$9,600,000 in ULAE liability.

The 2022/2023 recommendation is to use WTW's central estimated (50%) confidence level of \$185,769,000 for unpaid loss and ALAE liabilities and WTW's central estimated (50%) confidence level of \$9,600,000 for ULAE liabilities. With respect to NJSIG's 2022/2023 change in net position, the changes in these liabilities resulted in \$3.7 million of expense (for unpaid loss and ALAE) and \$700,000 of income (for ULAE).

**Recommended Resolution (NJSIG No. 1023-1):** Approve the September 21, 2023 draft WTW reserve study of the actuarially determined liability estimates as of June 30, 2023 as the final report and adopt the central estimated (50%) confidence level estimates for both the unpaid loss and ALAE liability and the ULAE liability. The central estimated (50%) confidence level estimates are \$185,769,000 for the unpaid loss and ALAE liability and \$9,600,000 for the ULAE liability.

Michele Carosi  
Chief Financial Officer