



New Jersey Schools Insurance Group

Board of Trustees Meeting

By: Stacy Mina, FCAS, MAAA, CPCU

September 16, 2015

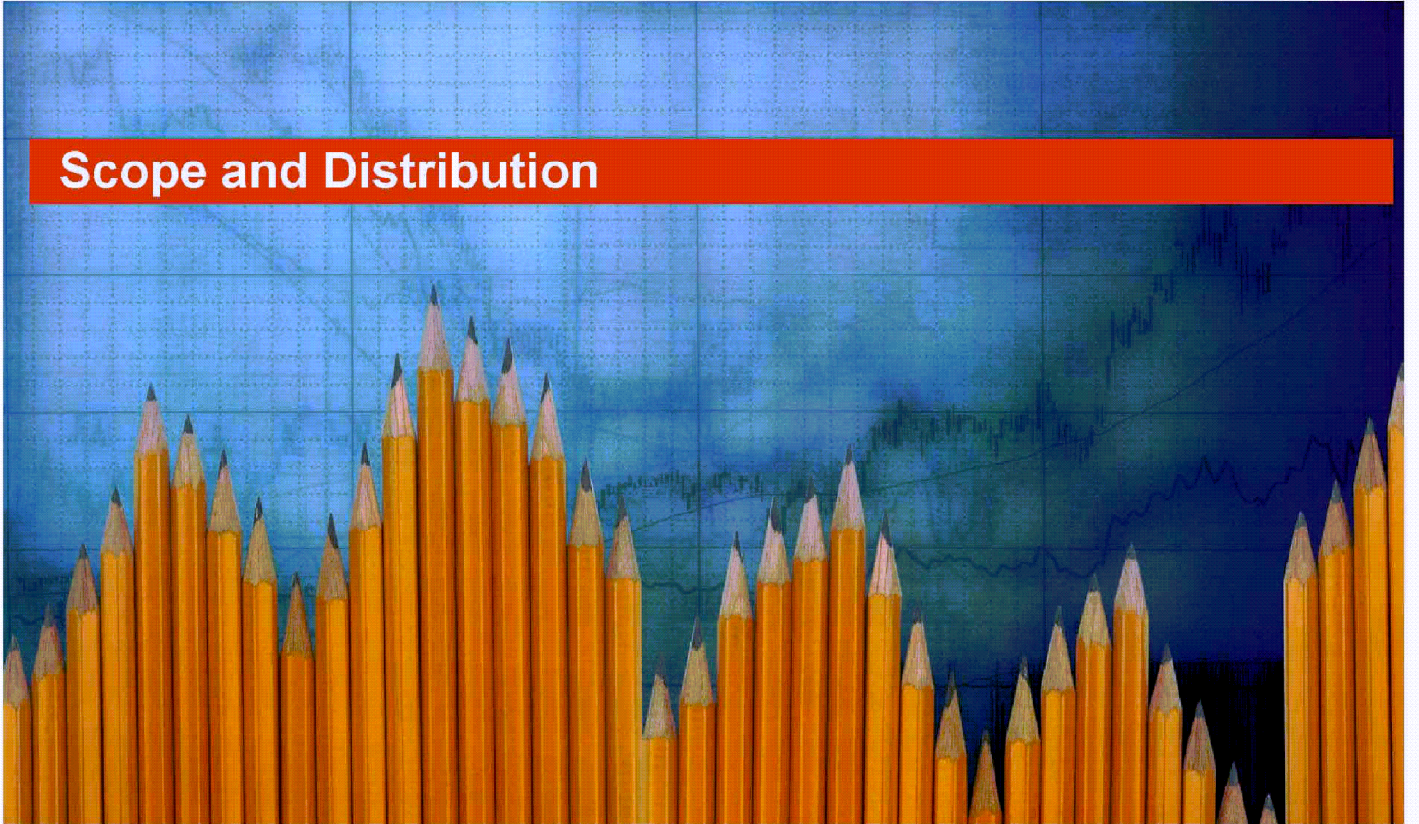
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TOWERS WATSON 

Agenda

- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2015
- Potential Rate Implications for Program Year 2016-17
- Questions
- Appendix

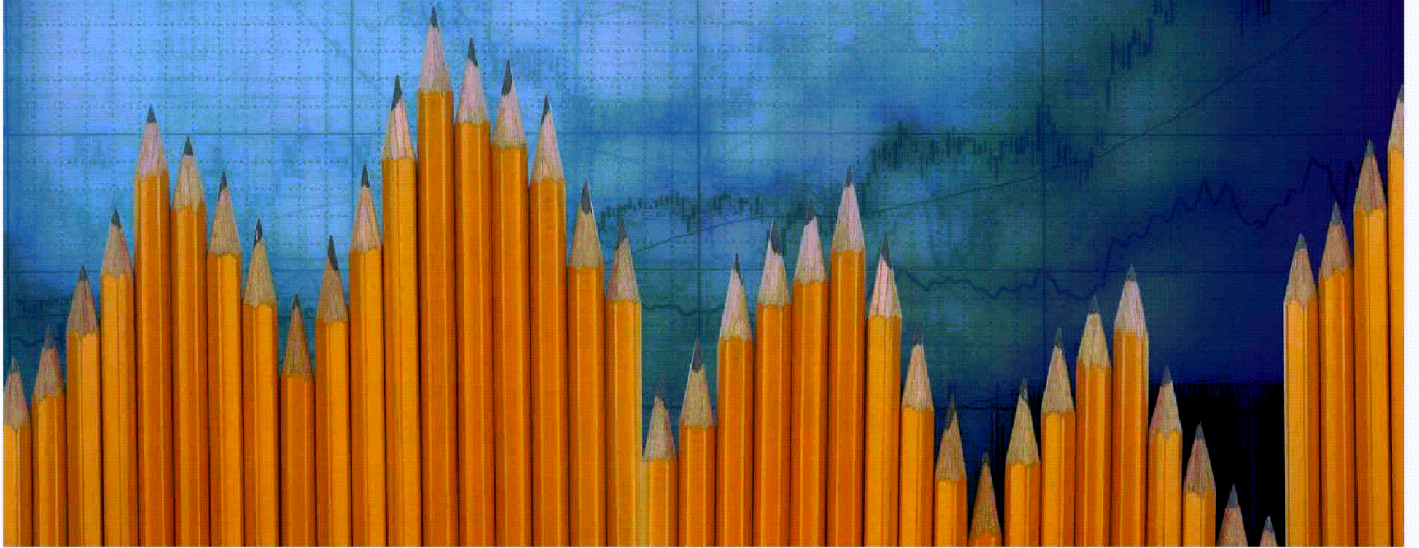
Scope and Distribution



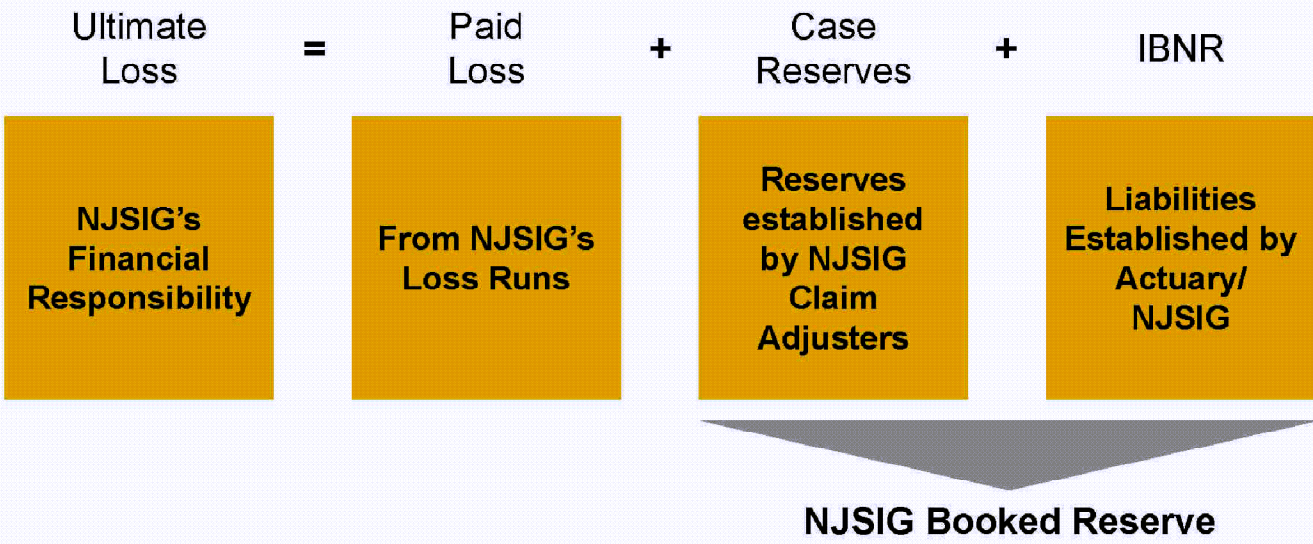
Scope and Distribution

- NJSIG retained Towers Watson to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2015
- Towers Watson presented the results of its review in a draft report dated August 6, 2015
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- The following slides provide a high-level summary of 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
- Stacy Mina is a member of the American Academy of Actuaries and meets its qualification standards to render the actuarial opinion contained herein

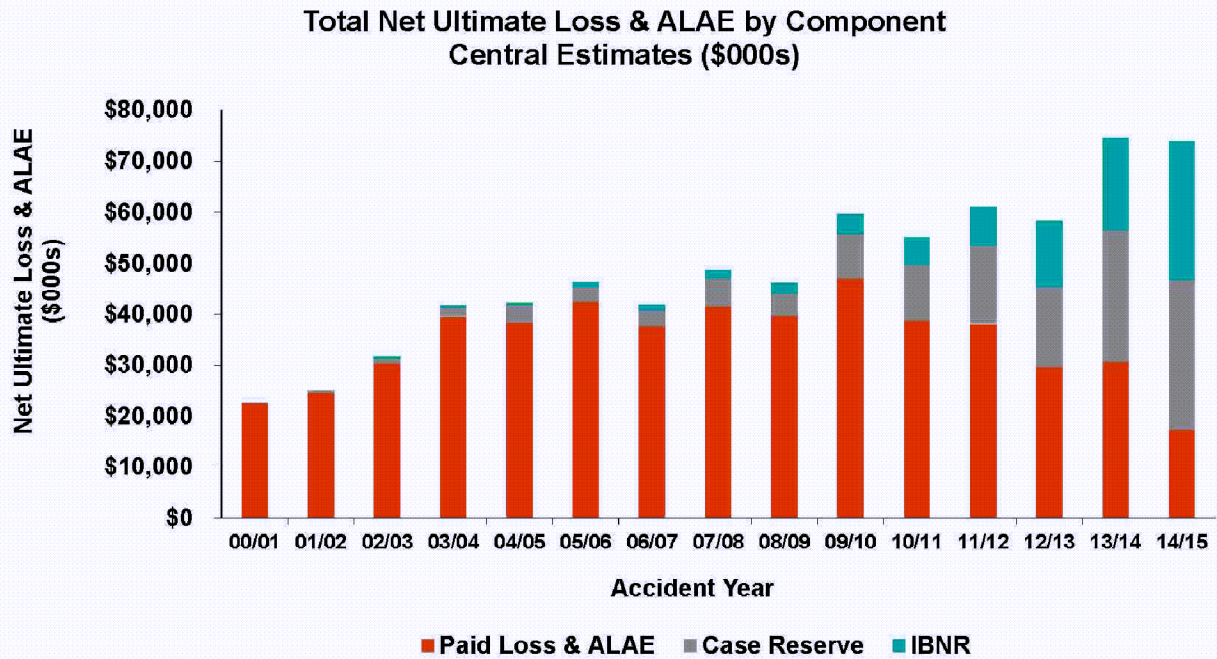
Indicated Loss & ALAE Liabilities as of June 30, 2015



Components of Ultimate Losses and Liabilities

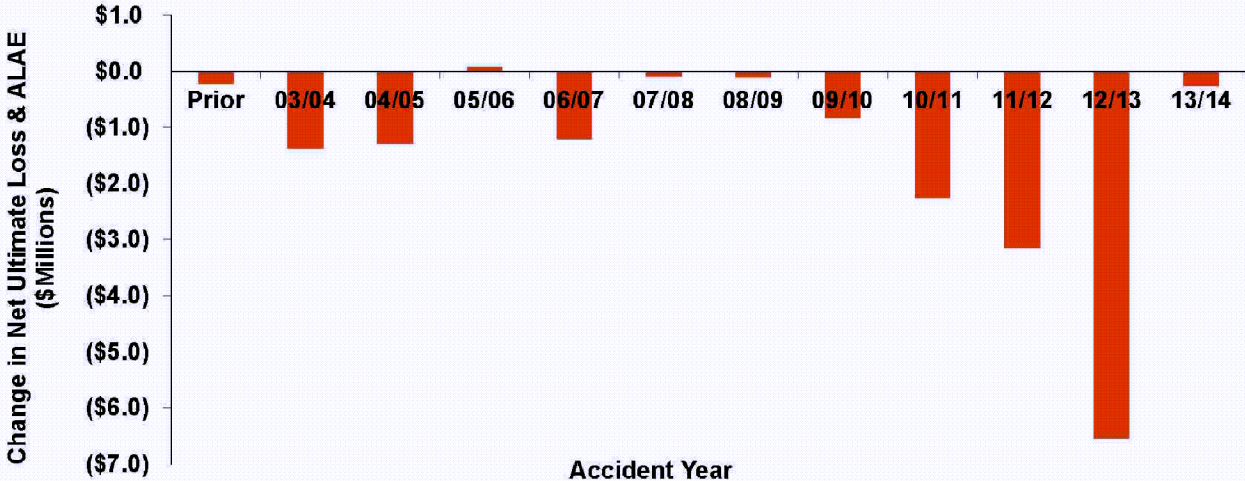


As an accident year ages, the IBNR portion of the bar will shrink and the paid portion will grow



Overall favorable experience for fiscal year 2014-2015

All Lines* - Total Decrease = \$17.3 million

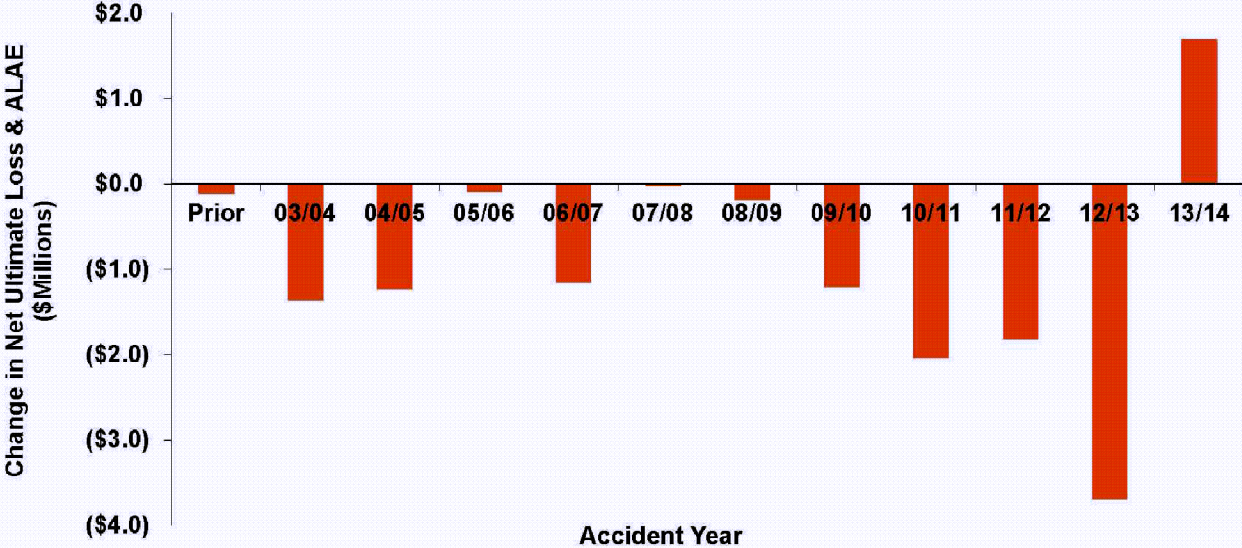


*Includes Aggregate

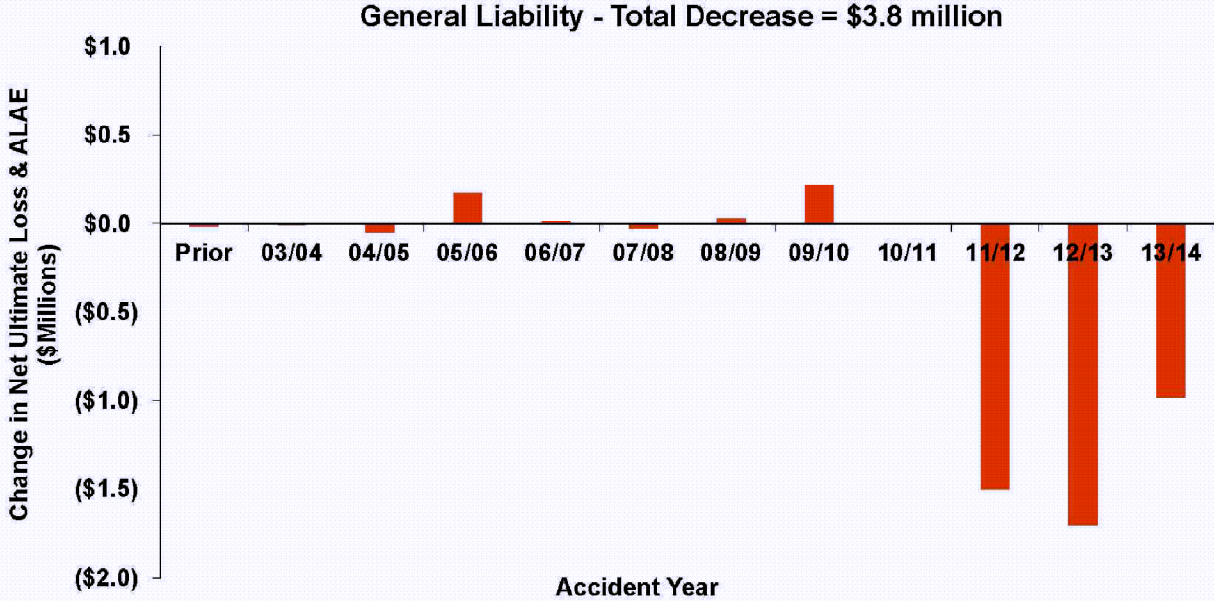
- There was improvement in all lines of business

The favorable workers compensation experience is primarily driven by severity

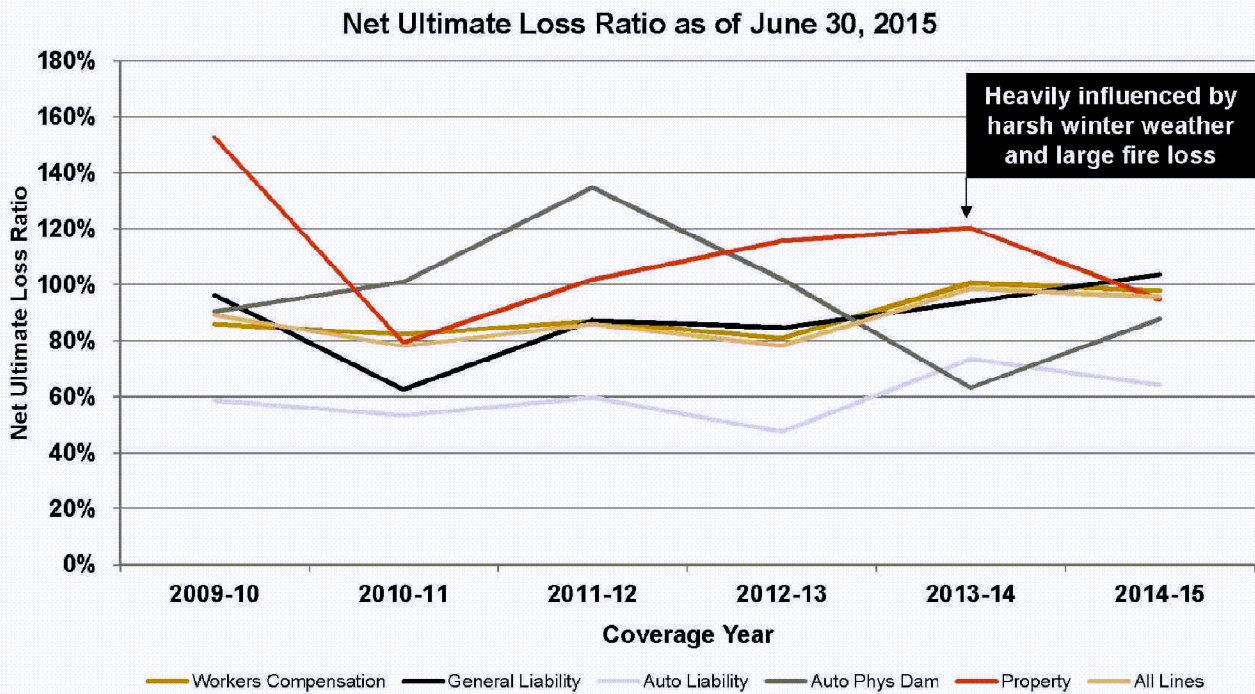
Workers Compensation - Total Decrease = \$11.3 million



General Liability results are favorable driven by emergence on the most recent years



The 2014-15 net loss and ALAE ratio is slightly lower than the prior year for most lines

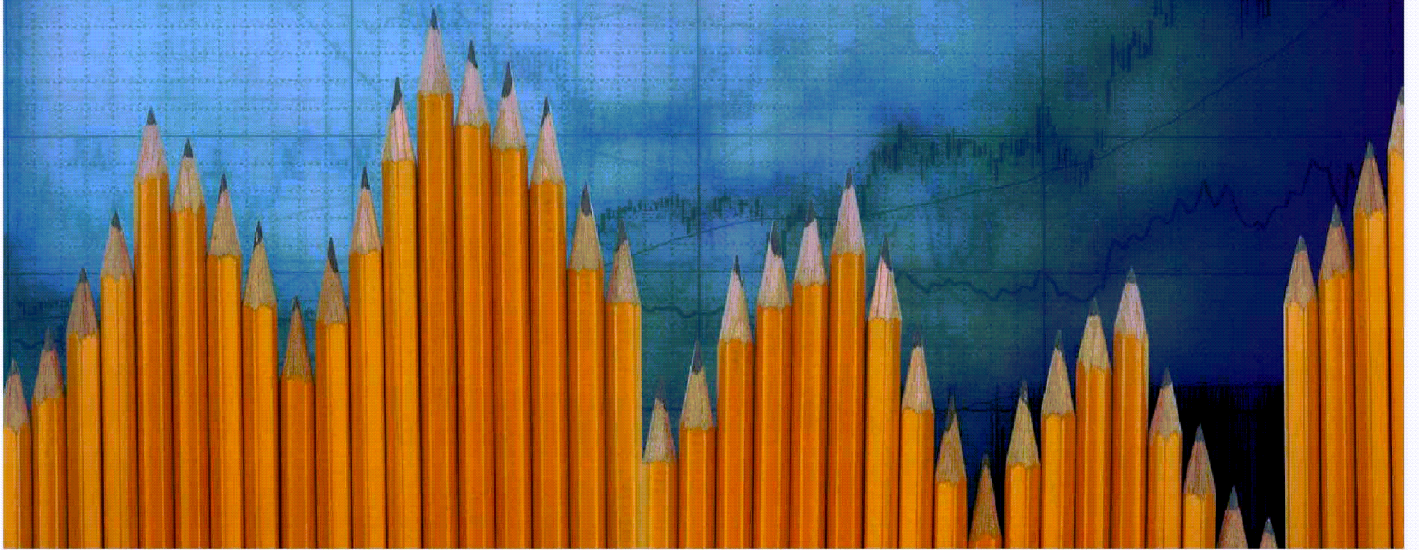


Reserve variability can significantly impact surplus

Impact of Variability on Booked Reserves and Surplus (\$ Millions)			
	Indicated Liabilities @6/30/2015	Difference versus Booked	Surplus
Booked*	\$213.2	\$—	\$71.5
Central Estimate	213.2	0.0	71.5
65% Percentile	225.4	12.2	59.2
75% Percentile	236.2	23.0	48.4
90% Percentile	259.9	46.7	24.8

*Booked numbers are preliminary and prior to any safety grant declaration.

Potential Rate Implications for Program Year 2016-17



Preliminary Indications

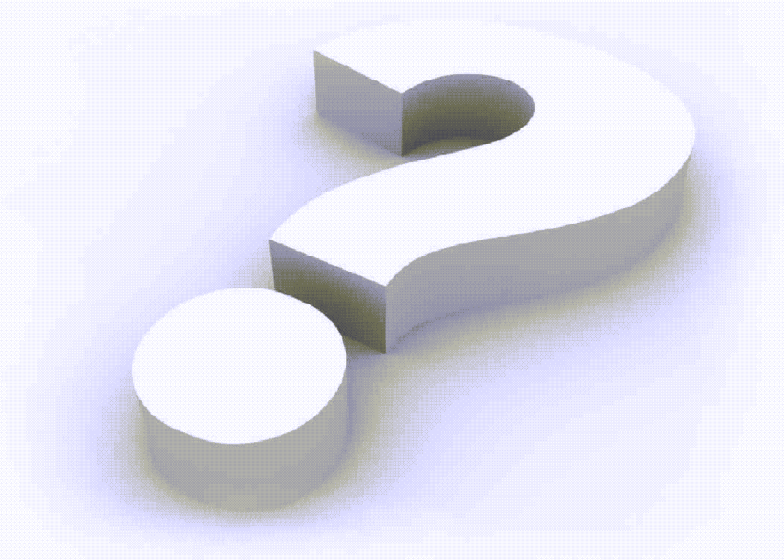
- Based on our June 30, 2015 liability analysis; actual rates will be derived using data evaluated as of September 30, 2015
- Towers Watson has not performed an in-depth analysis of rates at this point

July 1, 2015 Range of Rate Level Indications

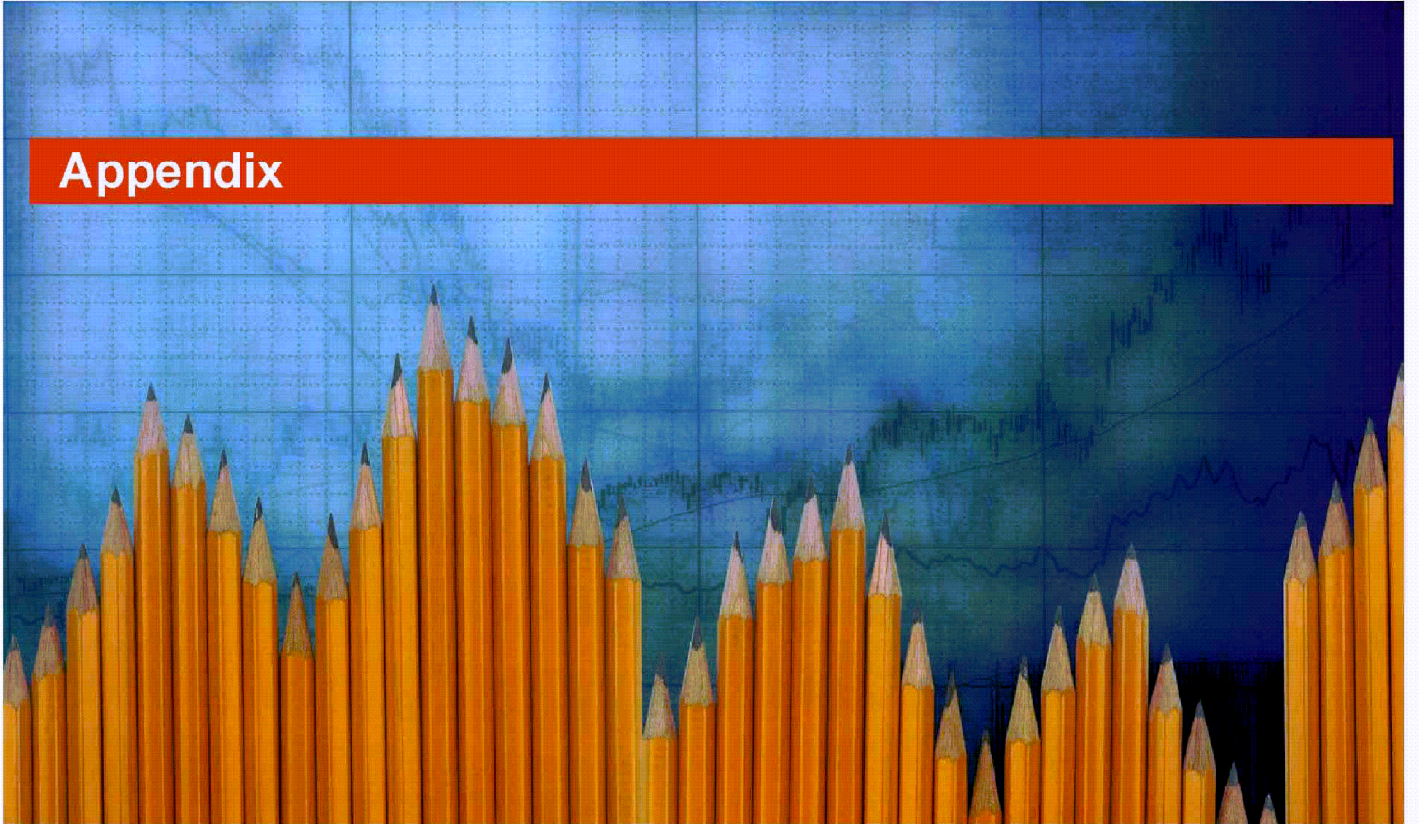
Coverage	TW Initial Expected 2016-17 Rate Change	Direction of 2016-17 Rate Indication from Initial Expected
Workers Compensation	1.2%	Lower
General Liability	11.7%	Lower
Auto Liability	(33.0)%	Flat to Lower
Auto Physical Damage	18.3%	Flat to Lower
E&O	58.9%	Flat to Lower
Property	2.6%	Lower
Total	6.6%	Lower
Total Excluding E&O	0.5%	Lower

The most uncertainty relates to the E&O and Property reinsurance markets

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 ALAE
- 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

Continued...

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

- The inherent uncertainty associated with ultimate loss and ALAE 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. This is particularly significant with respect to the E&O coverage.
 - The geographic concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., hurricanes).
 - Recent changes in loss emergence, case reserving methodology (especially for WC), claims staffing and economic conditions may produce different patterns of loss development than are anticipated by our analysis.
 - NJSIG has a small volume of losses for E&O. Loss projections based on small volumes of data tend to be volatile.

Glossary

- AL – Automobile liability
- ALAE – Allocated loss adjustment expense
- APD – Automobile physical damage
- E&O – Errors and omissions
- Frequency – Claims per unit of exposure
- GL – General Liability
- Severity – Average loss per claim
- WC – Workers compensation