



New Jersey School Boards Association Insurance Group

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Board of Trustees Meeting of September 12, 2012

Action Item

Reserve Study as of June 30, 2012

Representatives from Towers Watson (TW) will be presenting the Group's reserve study (draft attached) dated June 30, 2012 at the September 12, 2012 NJSBAIG meeting. The first 23 pages describe the study and summarize the findings.

The study estimates the total ultimate liabilities the Group has outstanding relative to claims. This liability number is "booked" into the financials for the Group's 2011/2012 fund year.

For the 2011/2012 fund year TW has estimated the Group's liabilities in a range. The low estimate is \$171.2 million, central estimate is \$189.1 million, and the high estimate is \$224.7 million. Choosing below the central estimate is less conservative and will raise the surplus in the financials for the 2011/2012 fund year. Choosing above the central estimate is more conservative and will reduce the surplus in the financials for the 2011/2012 fund year.

Choosing the central estimate of \$189.1 million to "book" as an ultimate liability for Group claims is anticipated to show a surplus of approximately \$1 million. This will increase the Group's surplus from \$62.8 million to approximately \$64.0 million.

I recommend the Group "book" the central estimate of \$189.1 million for claim liabilities into the 2011/2012 fund year. This pick would not provide the Group with an estimated underwriting surplus.

Recommended Resolution: Approve the reserve study as presented in the 8/6/12 draft and adopt the central estimate of ultimate liabilities from the Towers Watson reserve study of June 30, 2012. The central estimate is \$189.1 million.

Marty

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