



New Jersey Schools Insurance Group
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Board of Trustees Meeting of September 16, 2020
Action Item
Reserve Study as of June 30, 2020

Representatives from Willis Towers Watson (WTW) will be available by telephone for their presentation of the June 30, 2020 reserve study and to answer any questions.

The WTW study presents the 06/30/2020 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 2019/2020 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 2019/2020 fund year. The estimated ultimate liability is shown by confidence levels. The 50% confidence level is \$180,693,000. They also opined at the 65%, 75% and 90% levels which yielded reserves of \$191,332,000, \$200,595,000 and \$221,157,000, respectively. The higher the confidence level the more conservative the estimated ultimate liability.

NJSIG has chosen a confidence level of 65% for the 2019/2020 year resulting in a \$191,332,000 ultimate unpaid loss and ALAE liability.

Unallocated Loss Adjustment Expense (ULAE) liability:

WTW also performed an additional reserving analysis for 2019/2020 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 \$8,200,000. They also opined at the 65%, 75% and 90% levels which yielded reserves of \$8,700,000, \$9,100,000 and \$10,000,000, respectively. Again, the higher the confidence level the more conservative the estimated ULAE liability.

NJSIG has chosen a confidence level of 65% for the 2019/2020 year resulting in an \$8,700,000 ULAE liability

The 2019/2020 recommendation is to use the WTW's 65% confidence level of \$191,332,000 of ultimate unpaid loss and ALAE liabilities and \$8,700,000 of ULAE liabilities. The changes in these liabilities contribute \$8.9 million (for the ultimate unpaid loss and ALAE) and \$0 (for ULAE) to NJSIG's 2019/2020 change in net position. Prior to any 2019/2020 Safety Grant declarations, the resulting 2019/2020 net change in position will increase NJSIG's surplus from \$107.8 million to \$144.6 million. (Any Safety Grant allocation will decrease the 2019/2020 surplus by the exact safety grant amount.)

Recommended Resolution: Approve the 08/10/2020 draft WTW 06/30/2020 reserve study as as final and adopt the 65% confidence level estimates of ultimate unpaid loss and ALAE liability and the ULAE liability from the WTW 06/30/2020 reserve study. The 65% confidence level estimates are \$191,332,000 for the unpaid loss and ALAE liability and \$8,700,000 for the ULAE liability.

Michele Carosi
Chief Financial Officer