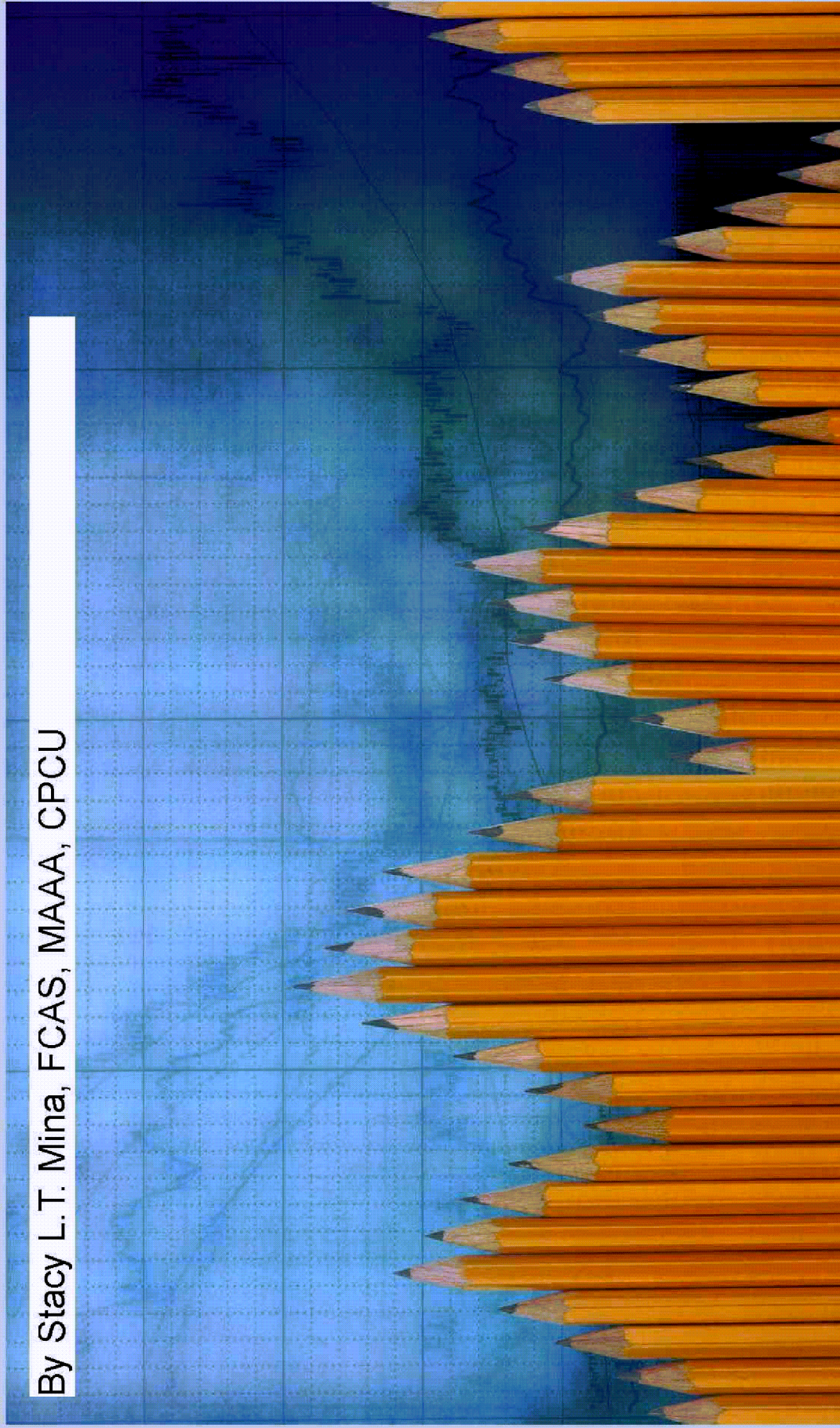


New Jersey Schools Insurance Group Board of Trustee Meeting

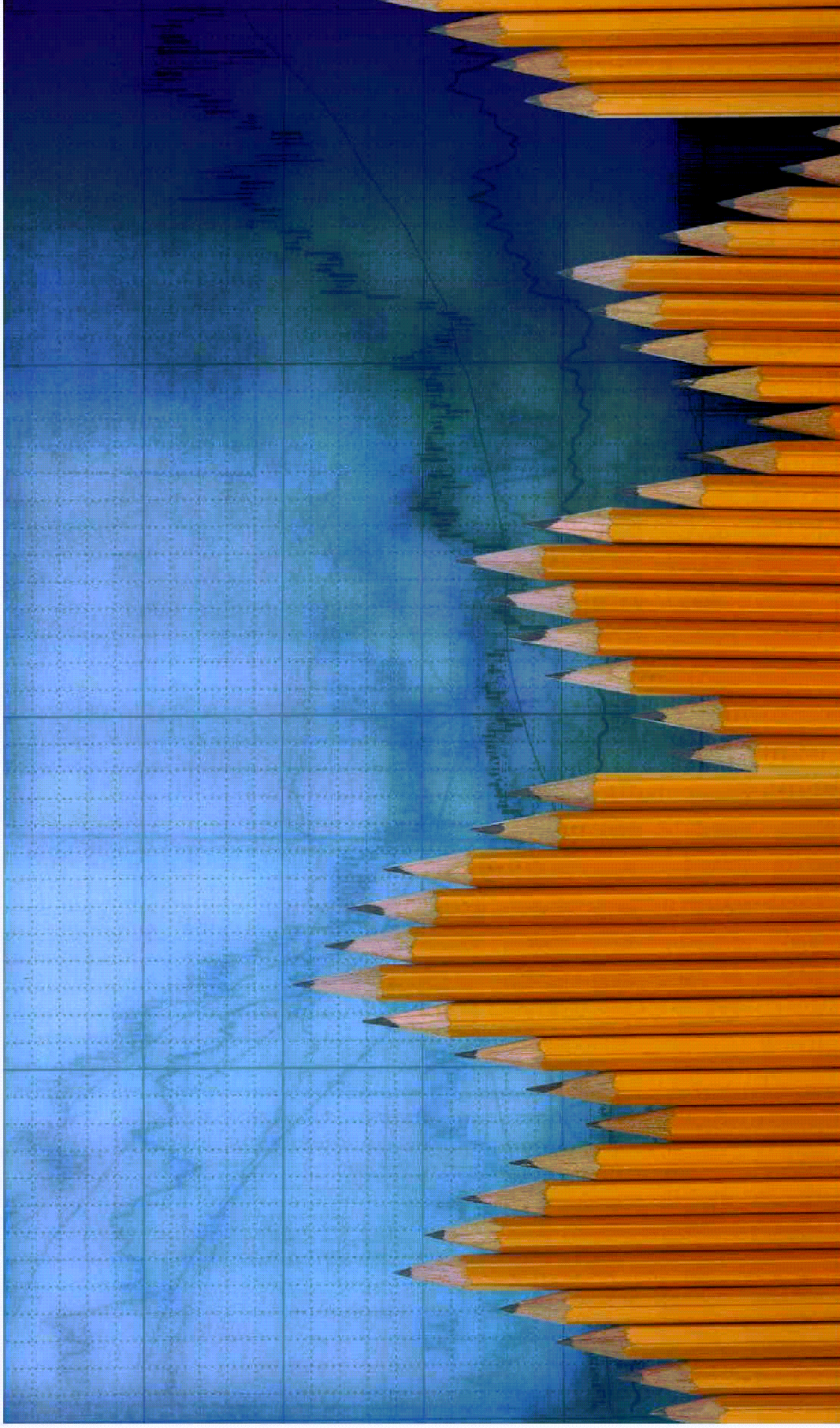
November 16, 2016

By Stacy L.T. Mina, FCAS, MAAA, CPCU



Agenda

- Purpose and Scope / Distribution / Reliances and Limitations
- Estimating Rate Level Changes
- Indicated Rate Changes for July 1, 2017
- Questions and Discussion



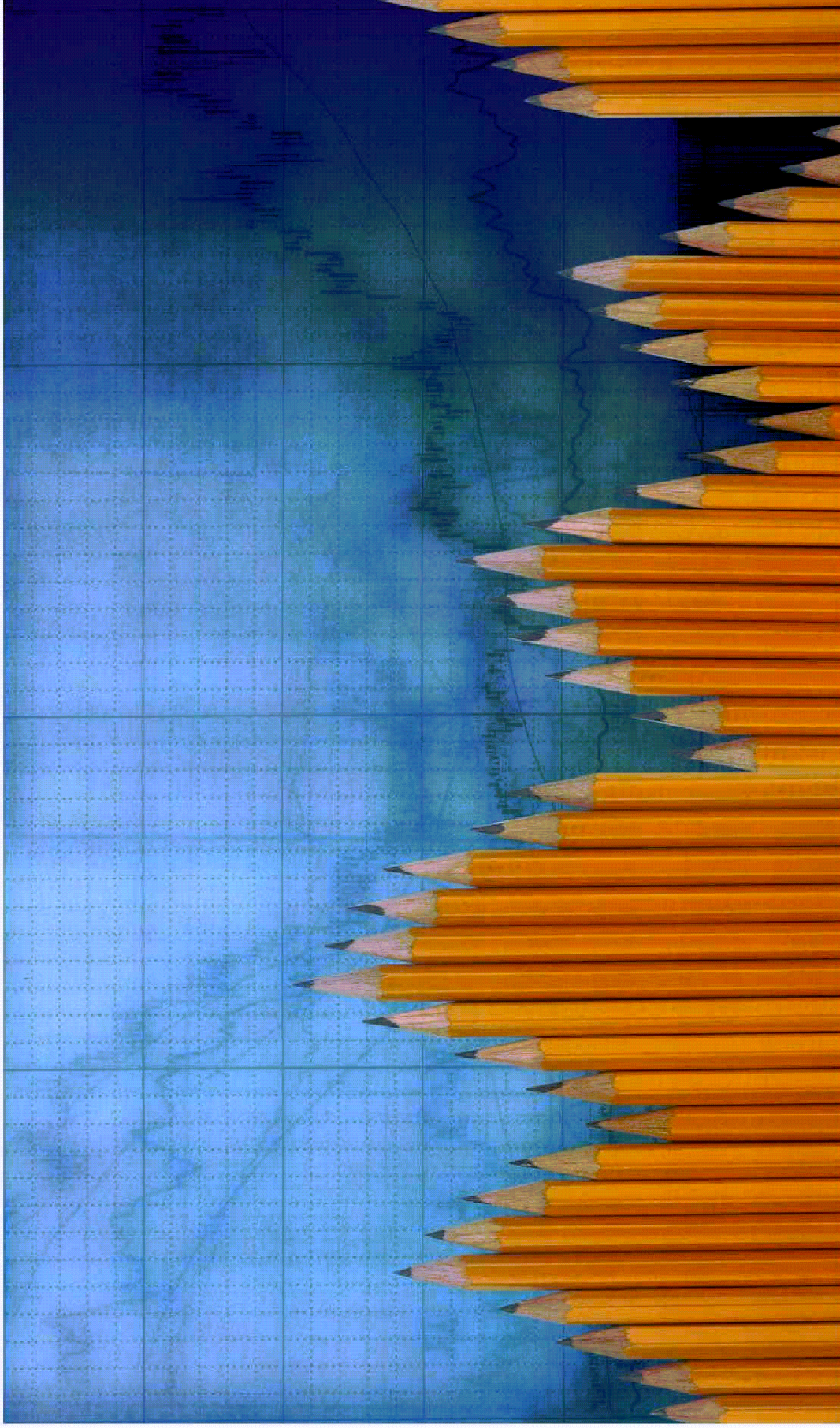
Purpose and Scope / Distribution / Reliances and Limitations

Basic Details

- Data is evaluated as of September 30, 2016
 - Update to September 30, 2015 analysis
 - Uses losses and exposures for current members only
- Willis Towers Watson presented the results of its review in a draft report dated November 9, 2016
- The following slides provide a high-level summary of Willis 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 report and presentation were prepared for the internal use of NJSIG management to present our findings with respect to our analysis, and it is our understanding that our findings will be considered for the purpose of establishing 2017/18 rate levels
- Distribution is limited to the management of NJSIG and its excess insurers and regulators (the Recipients)
 - It may not be further distributed, disclosed, copied or otherwise provided to any other party
 - Each Recipient is responsible for its own due diligence and will place no reliance on this report that would result in the creation of any duty or liability by Willis Towers Watson to the Recipient
- Stacy Mina is a member of the American Academy of Actuaries and meets its qualification standards to render this actuarial opinion

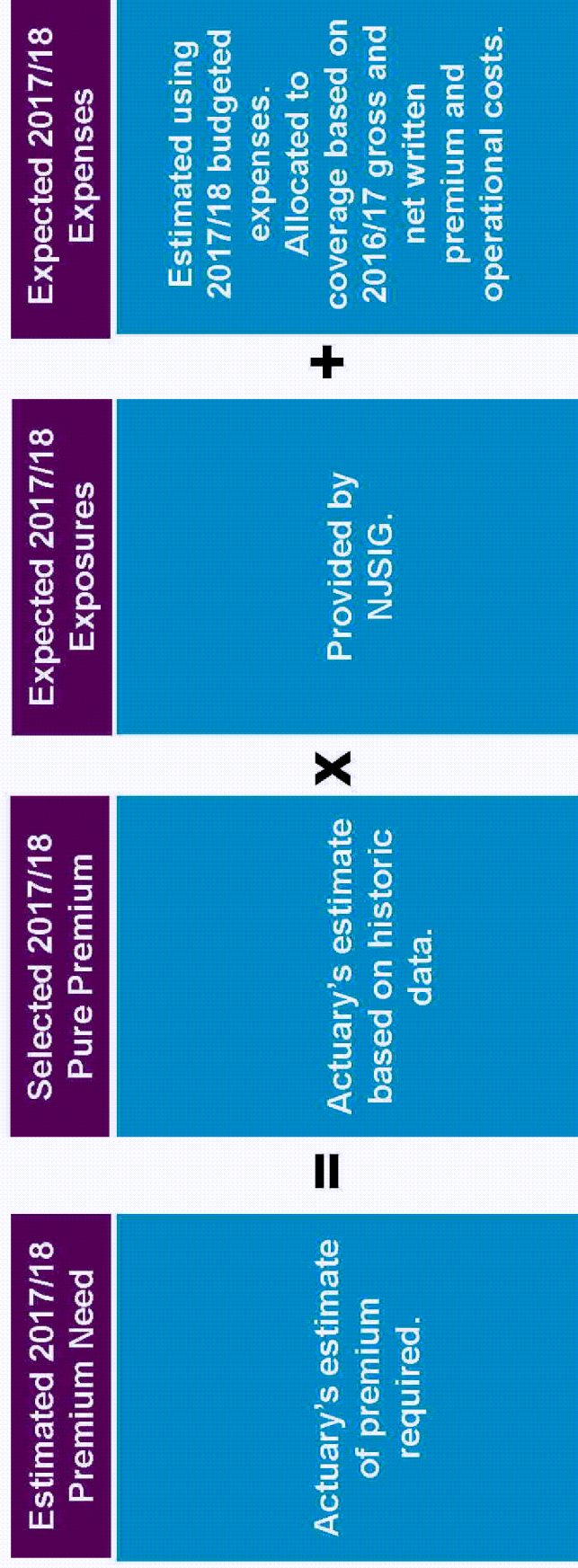
Reliances and Limitations

- There is inherent uncertainty in the estimation of prospective loss and ALAE
 - Claims are subject to outcomes that have not yet occurred; actual emergence will vary
 - NJSIG has relatively high per occurrence retentions, particularly for E&O
 - E&O is a high severity/low frequency exposure, where a single claim can have a significant impact
 - Small volumes of data tend to be volatile as seen for E&O and some of the WC sub funds
 - There is no guarantee the 2017/18 rate indications will prove to be adequate or not excessive
- The range implied by these estimates is not all inclusive
 - Estimates are based on NJSIG historical experience and do not reflect extreme events that have a remote possibility of occurring
- We have relied on historical and other quantitative and qualitative information provided by NJSIG
 - We have not audited this information but did review for reasonableness and consistency



Estimating Rate Level Changes

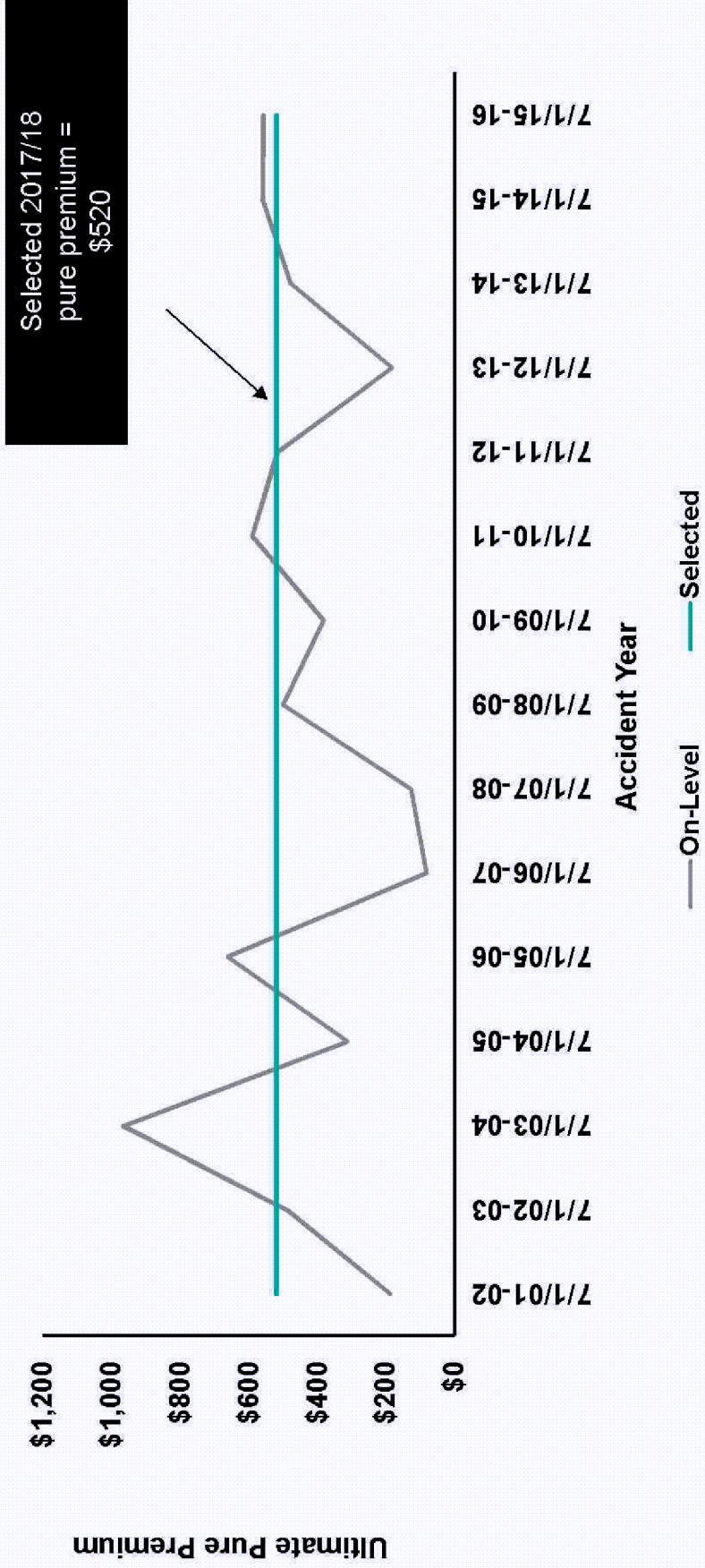
General Ratemaking Approach

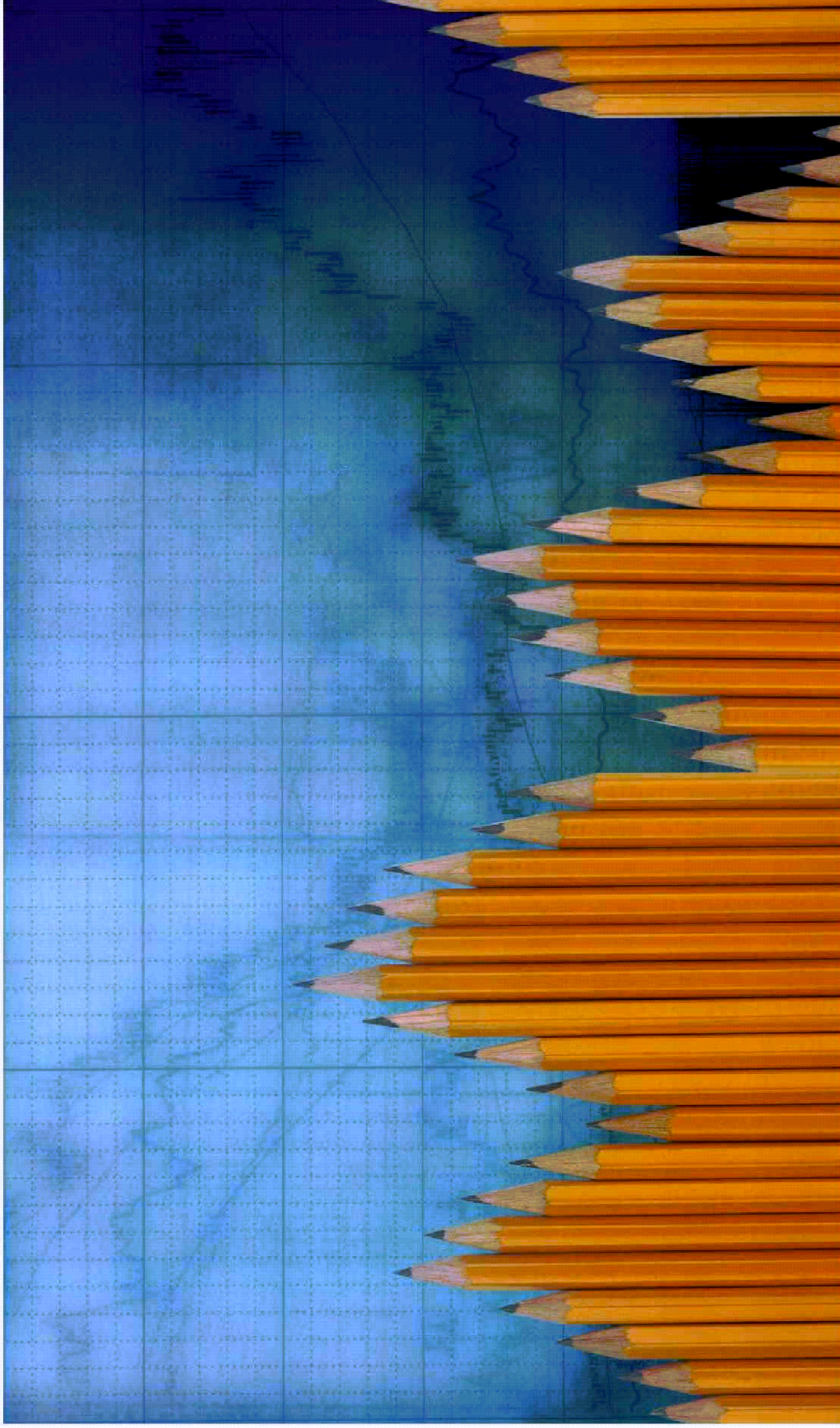


- We have relied on historical and other quantitative and qualitative information provided by NJSIG

We review the historic pure premiums to select a 2017-18 pure premium

Auto Liability - Central Estimate





Indicated Rate Changes for July 1, 2017

The analysis produces a range of rate level indications

Estimated 2017 – 2018 Retained Rate Change						
Coverage	Estimated 2017-18 Premium (\$000s)	Low		Central	High	
		Reasonable	Reasonable	Estimate	Reasonable	Change
Workers Compensation	\$66,704	-1.4%	+4.1%	+0.6%	+4.1%	0.0%
General Liability	8,082	-16.3%	-2.7%	-10.0%	-2.7%	-10.0%
Auto Liability	5,107	-31.9%	-17.4%	-26.3%	-17.4%	-10.0%
Auto Physical Damage	688	+9.1%	+17.4%	+11.6%	+17.4%	-10.0%
Errors and Omissions	15,709	+6.7%	+19.4%	+11.5%	+19.4%	TBD
Property	7,702	-25.0%	-10.3%	-20.6%	-10.3%	-10.0%
Total	103,992	-4.5%	+3.8%	-1.4%	+3.8%	TBD
Total Excluding E&O	88,283	-6.5%	+1.1%	-3.7%	+1.1%	-2.4%

- The overall proposed rate level change for retained limits is between the central and high reasonable estimates, excluding errors and omissions

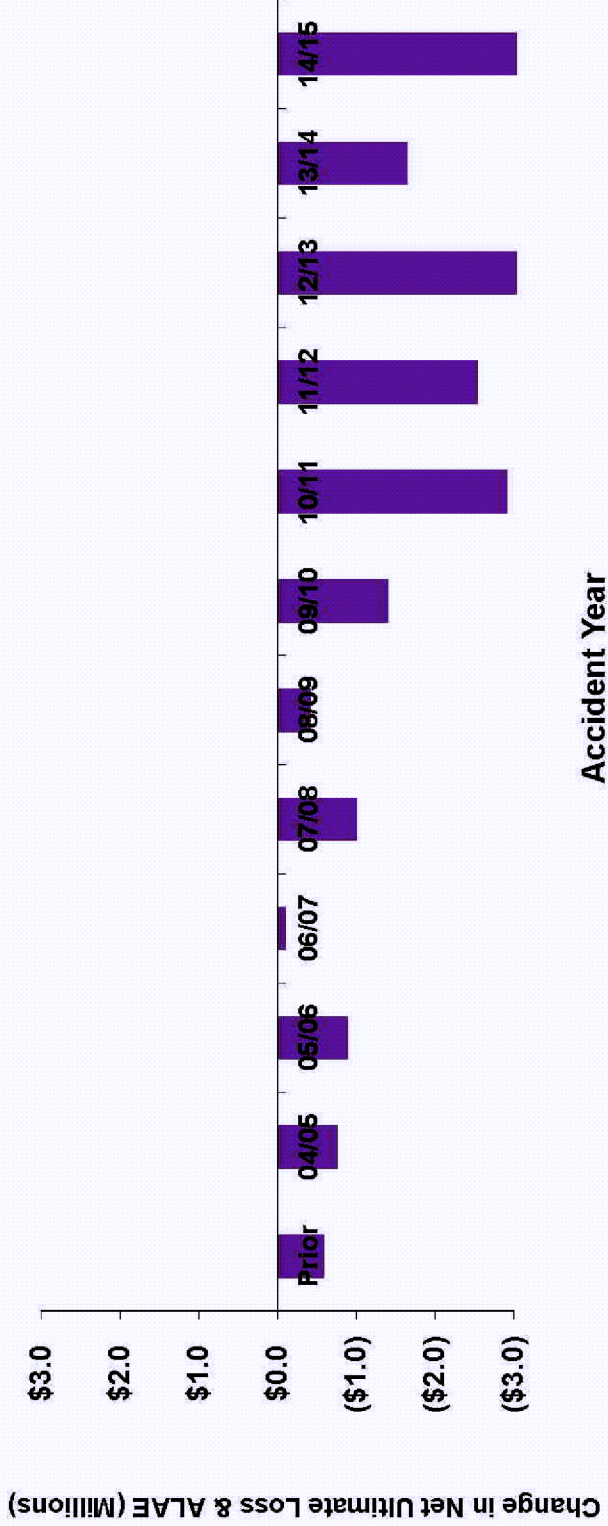
There were a number of changes between the 2017/18 preliminary and final rate indications

Coverage	Preliminary	Final
Workers Compensation	+0.2%	+0.6%
General Liability	+7.0%	-10.0%
Auto Liability	-21.6%	-26.3%
Auto Physical Damage	+22.7%	+11.6%
Errors and Omissions	N/A	+11.5%
Property	-4.5%	-20.6%
Total	N/A	-1.4%
Total Excl E&O	-0.6%	-3.7%

- Loss experience was favorable for all coverages
- General liability and property loss experience was very favorable
- Changes in impact of experience modification/individual rating significant for workers compensation and property

Liability Analysis as of June 30, 2016 produced generally favorable experience which drives rate indications

All Lines* - Total Decrease = \$20.0 million



- There was also overall improvement for each coverage

June 30, 2016 liability analysis general liability favorable emergence for the most recent years had significant impact on rate indication

General Liability - Total Decrease = \$2.1 million



Questions

