



New Jersey Schools Insurance Group
6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
www.njsig.org

Board of Trustees Meeting of September 16, 2020
Action Item
Safety Grant

NJSIG's most recent fund year ending 6/30/2020 resulted in a \$36.7 million GAAP change in net position, when using the actuary's 65% confidence level reserving methodology, and prior to any COVID-19 relief assistance or new safety grant allocation. NJSIG's 6/30/2020 investment income is \$8 million. The resulting GAAP net fiscal year surplus for 2019/2020 (i.e., \$36.7 million minus \$8 million) totals \$28.7 million. However, NJSIG's statutory net fiscal year surplus for 2019/2020 totals \$11,451,865.

NJSIG has consistently strengthened its reserves to the actuaries' 65% confidence level over the past four years. Since NJSIG's reserves currently exceed the minimum range of actuarially determined thresholds, there is no imperative for additional 2019/2020 reserving.

NJSIG's Safety Grant Policy #3710 mandates that safety grant declarations are based on net fiscal year surplus. Net fiscal year surplus means that amount of monies in a trust account established pursuant to N.J.A.C. 11:15-4.6(b) 10 that is in excess of all costs, earned investment income, refunds made pursuant to N.J.A.C. 11:15-4.21, incurred losses and loss adjustment expenses, and incurred but not reported reserves, including the associated loss adjustment expenses attributed to the fund, net of any recoverable per occurrence or aggregate excess insurance or reinsurance for a particular year. Thus, safety grants cannot be paid for with investment income. As such, the \$8 million of 2019/2020 investment income must be credited to NJSIG's net fiscal year surplus.

NJSIG currently has \$13.5 million in cumulative, outstanding (i.e., not yet paid) safety grants that have been allocated by the Board in prior fiscal years and are scheduled to be paid out as follows:

Allocated/ As of FY:	FY DATE Paid to Member:	FY 16/17 Grant Amounts	FY 17/18 Grant Amounts	FY 18/19 Grant Amounts	TOTAL PAYABLE
18/19	10/2020 (20/21)	1,500,000.00	3,000,000.00		4,500,000.00
19/20	10/2021 (21/22)	1,500,000.00	3,000,000.00		4,500,000.00
20/21	10/2022 (22/23)		2,500,000.00	2,000,000.00	<u>4,500,000.00</u>
					13,500,000.00

NJSIG management recommends the following actions for the remaining \$28.7 million of 2019/2020 GAAP net fiscal year surplus:

- Adding a new \$2 million safety grant declaration to fiscal year 2021/2022, to be paid out in October 2023
- Retaining the remaining \$26.7 million GAAP net fiscal year surplus, some of which NJSIG plans to refund to WC and GL members, due to the decreased exposures related to COVID-19 on these lines

Implementing these recommendations would result in cumulative, outstanding safety grant allocations of \$15.5 million (up from \$13.5 million), to be paid out as follows:

Allocated/ As of FY:	FY DATE Paid to Member:	FY 16/17 Grant Amounts	FY 17/18 Grant Amounts	FY 18/19 Grant Amounts	FY 19/20 Grant Amounts	TOTAL PAYABLE
18/19	10/2020 (20/21)	1,500,000.00	3,000,000.00			4,500,000.00
19/20	10/2021 (21/22)	1,500,000.00	3,000,000.00			4,500,000.00
20/21	10/2022 (22/23)		2,500,000.00	2,000,000.00		4,500,000.00
21/22	10/2023 (23/24)				2,000,000.00	<u>2,000,000.00</u>
						15,500,000.00

Implementing these recommendations would also increase NJSIG's GAAP aggregate net current surplus for all fiscal years (i.e., the sum of NJSIG's net fiscal year surplus for all fiscal years and all lines of coverage), from \$107.8 million to \$142.5 million (after the FY2020 safety grant allocation and prior to any return of COVID-19 relief assistance).

It is the intention of NJSIG to work towards phasing out the safety grant program, while simultaneously phasing in a refund/dividend program that would return any excess surplus to members by fiscal year, by line of coverage.

Recommended Resolution (NJSIG No. 0920-3): Approve a new \$2 million safety grant to be expensed from the 2019/2020 fund year for inclusion with cumulative future safety grant awards, allocated to fiscal year 2021/2022 and to be distributed in October 2023, as per NJSIG's Safety Grant Policy #3710 guidelines.

Michele Carosi
Chief Financial Officer