



New Jersey Schools Insurance Group
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Board of Trustees Meeting of September 18, 2019
Action Item
Safety Grant

NJSIG's most recent fund year ending 6/30/2019 resulted in a \$27.2 million change in net position (when using the actuary's 65% confidence level reserving methodology). The 06/30/2019 net investment income is \$8.1 million. The resulting underwriting surplus is \$19.1 million.

NJSIG has consistently strengthened its reserves to the actuaries 65% confidence level over the past three years. Since NJSIG reserves are currently within the range of actuarially determined thresholds, there is no imperative for additional 2018/2019 reserving. NJSIG has also retained surplus within the actuarially determined 2018/2019 Risk Based Capital (RBC) threshold of \$72.2 million and \$110.9 million.

NJSIG's Safety Grant Policy #3710 mandates that grant declarations are based on net underwriting surplus (operating income). Therefore, NJSIG investment income must be credited to surplus. The \$8.1 million of 2018/2019 investment income will be credited to NJSIG's surplus (as per the policy guidelines).

NJSIG management recommends the following actions for the remaining \$19.1 million of 2018/2019 net underwriting surplus (operating income):

- An additional \$2 million safety grant declaration. This would result in a cumulative safety grant allocation of \$18 million for available distributions of \$4.5 million in fiscal years 2020, 2021, 2022 and 2023.
- A retention of the remaining \$17.1 net underwriting surplus (operating income) for implementation of a four year underwriting rate reduction strategy for NJSIG members.

The above recommended actions would yield a 2018/2019 surplus of \$107.7 million, which falls within in the 2018/2019 Risk Based Capital (RBC) target threshold of \$72.2 million and \$110.9 million.

Recommended Resolution: Approve \$2 million safety grant to be expensed from the 2018/2019 fund year for inclusion with cumulative future safety grant award distributions of \$4.5 million in 2020, 2021, 2022 and 2023. This award is to be distributed after July first of each respective year to NJSIG members of record as of that July first date.

Michele Carosi
Chief Financial Officer