

New Jersey Schools Insurance Group

Board of Trustees Meeting

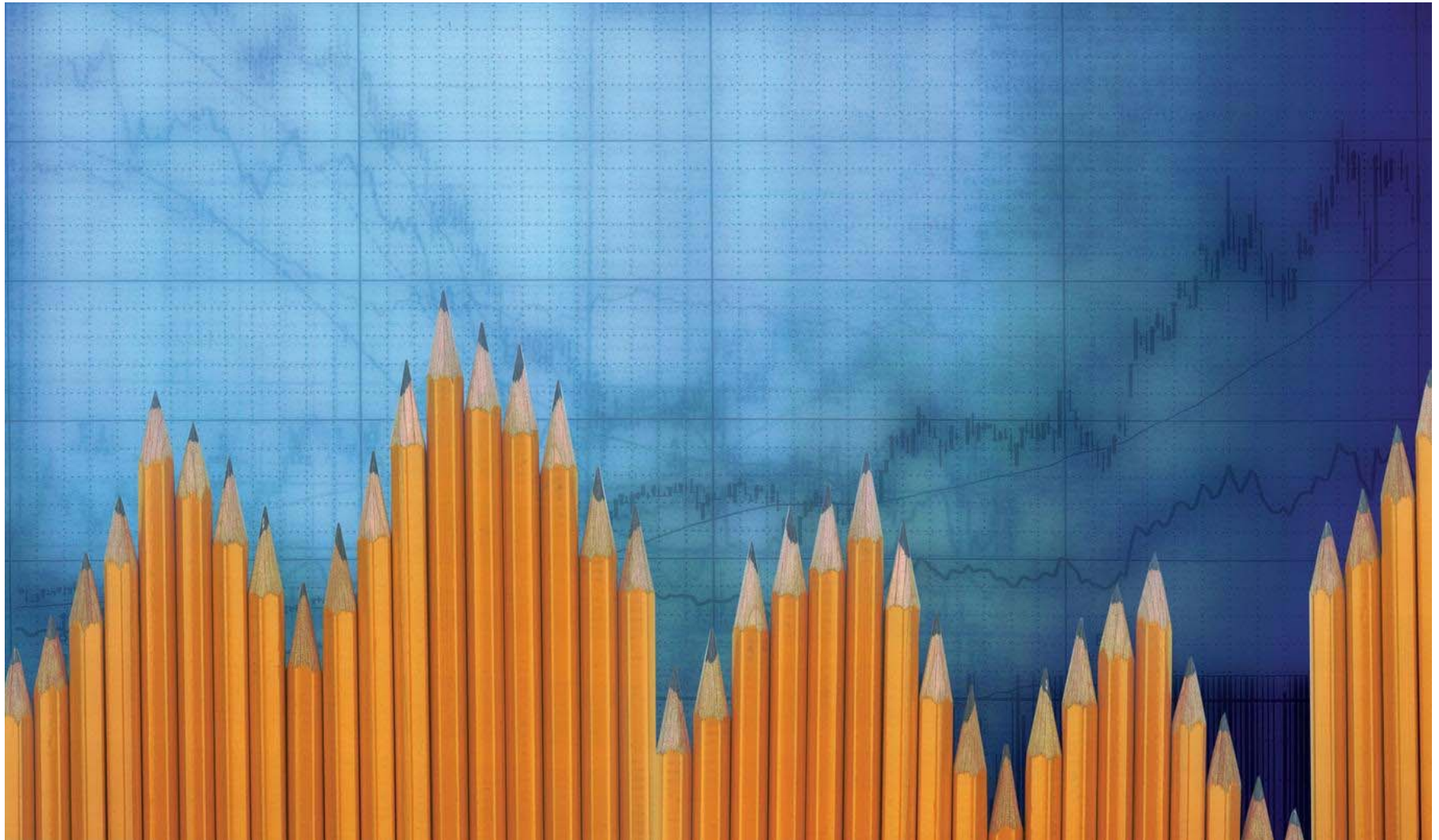
By: Stacy L.T. Mina, FCAS, MAAA, CPCU

November 18, 2015

TOWERS WATSON 

Agenda

- Purpose and Scope / Distribution / Reliances and Limitations
- Estimating Rate Level Changes
- Indicated Rate Changes for July 1, 2016
- Questions and Discussion



Purpose and Scope / Distribution / Reliances and Limitations

Basic Details

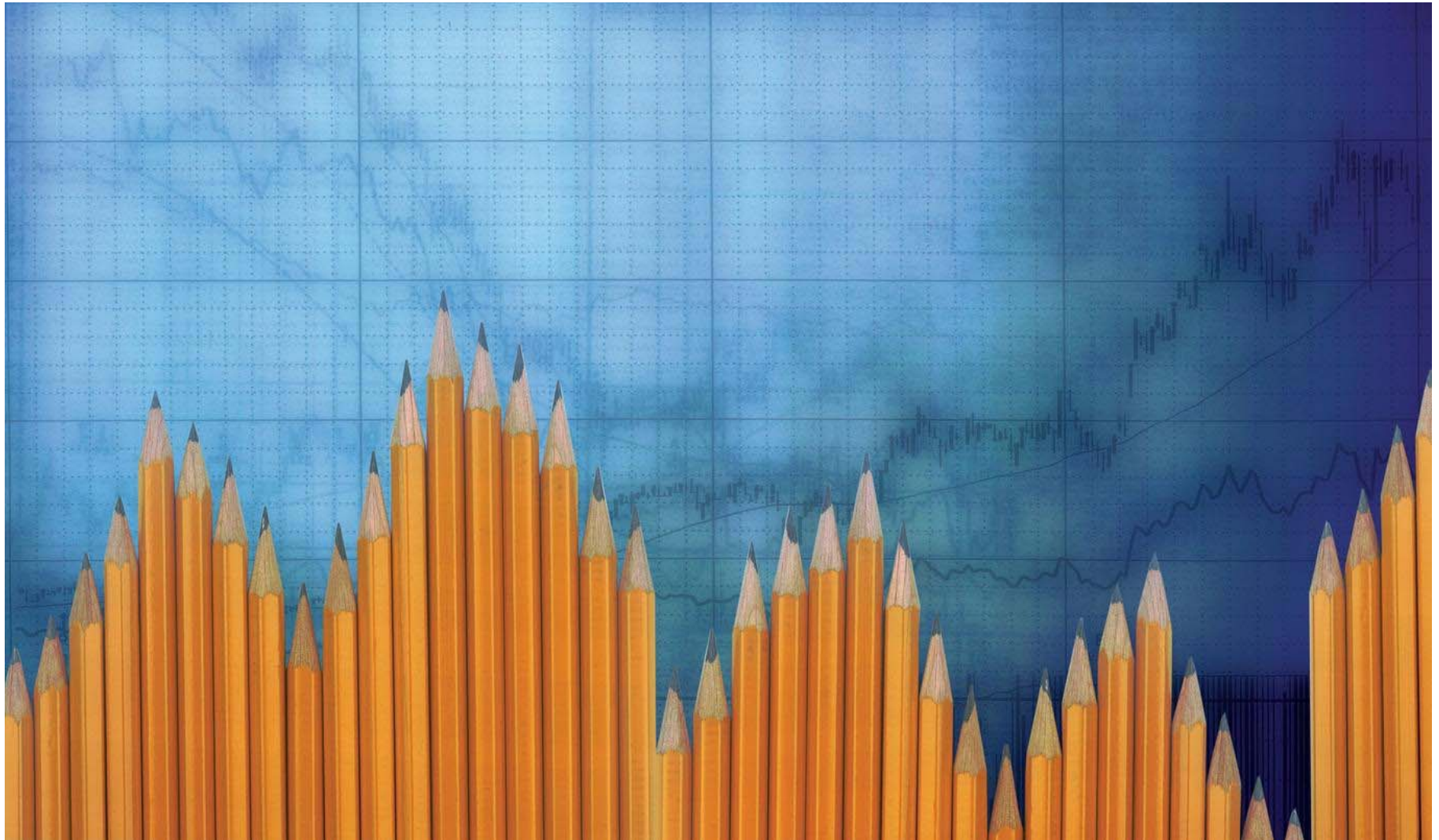
- Data is evaluated as of September 30, 2015 (June 30, 2015 for E&O)
 - Update to September 30, 2014 analysis
 - Uses losses and exposures for current members only
- Towers Watson presented the results of its review in a draft report dated November 13, 2015
- The following slides provide a high-level summary of 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 2016/17 rate levels

Basic Details

- Distribution is limited to the management of NJSIG and its broker, 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 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

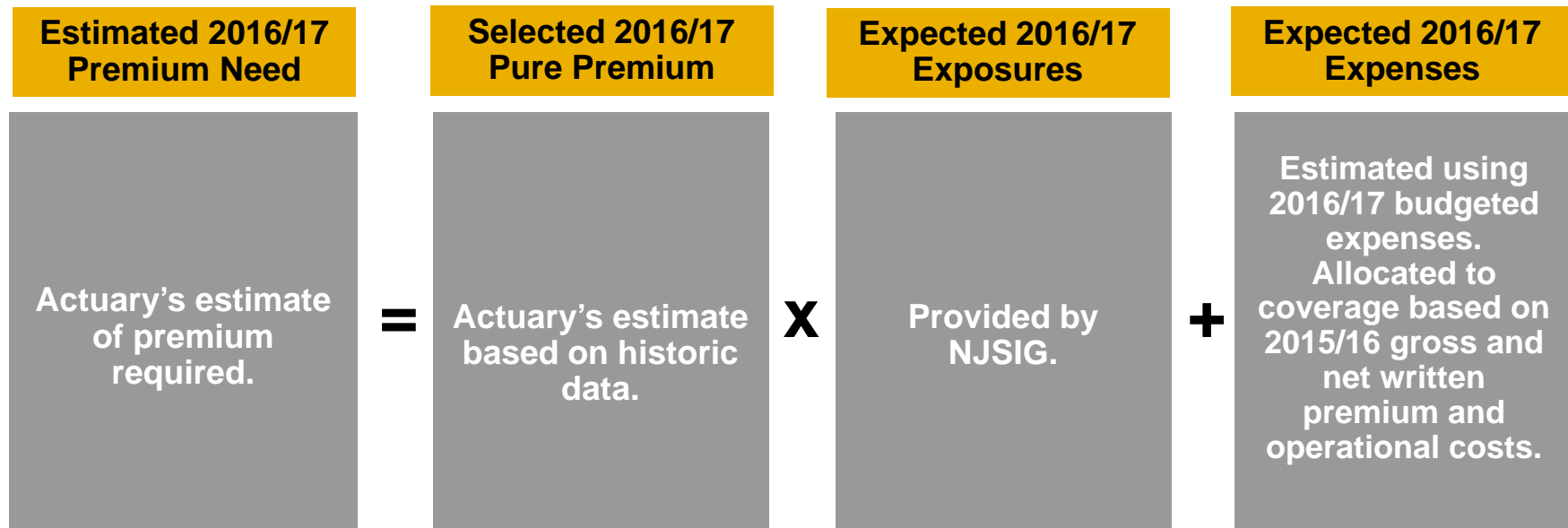
Reliances and Limitations

- 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 (high severity/low frequency exposure)
 - Small volumes of data tend to be volatile as seen for E&O and some of the WC subfunds
 - There is no guarantee the 2016/17 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



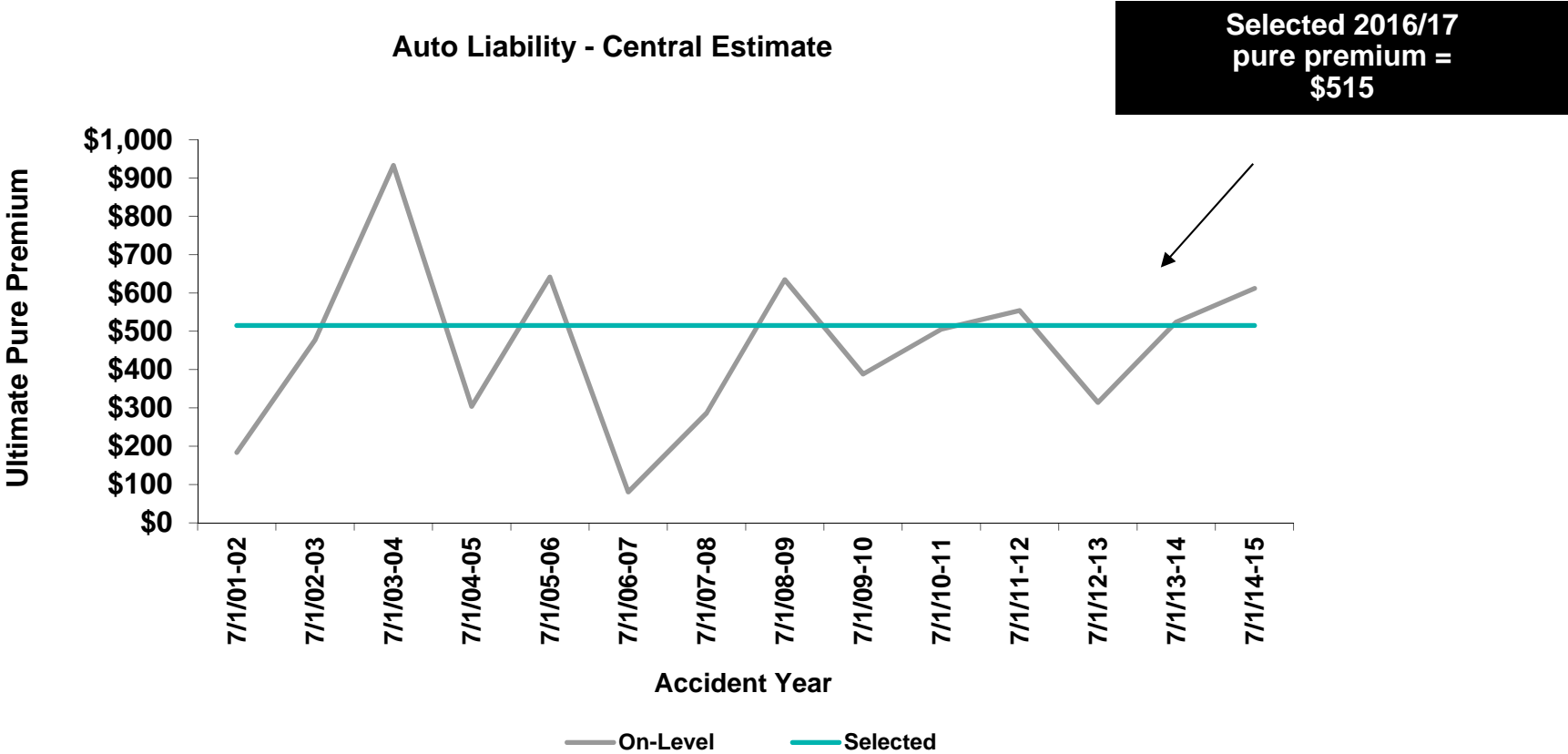
Estimating Rate Level Changes

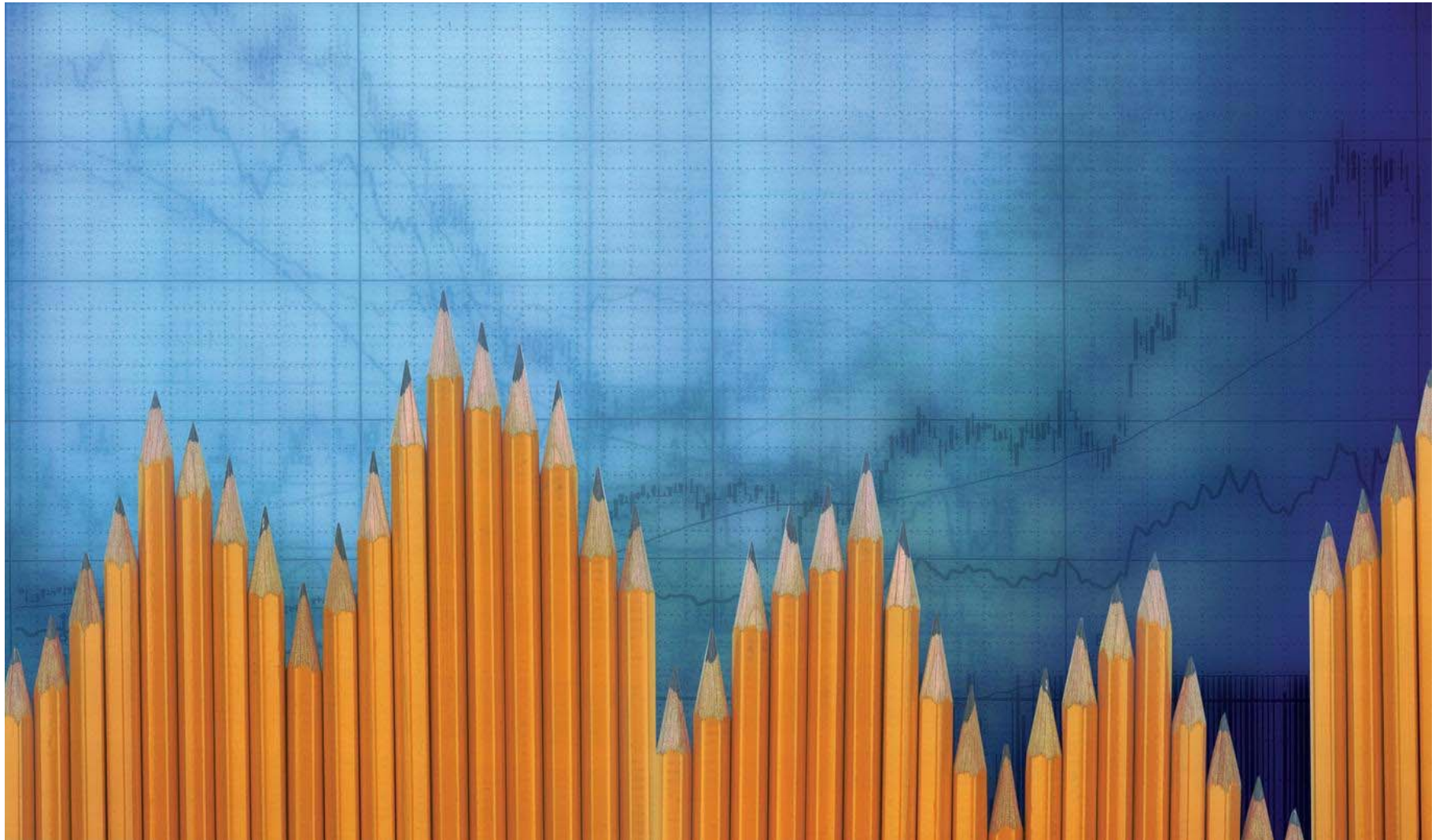
General Ratemaking Approach



- Need to factor in the impact of experience rating and individual rating

We review the historic pure premiums to select a 2016/17 pure premium





Indicated Rate Changes for July 1, 2016

The analysis produces a range of rate level indications

Coverage	Estimated 2016-17 Premium (\$000s)	Estimated 2016 – 2017 Rate Change			
		Low Reasonable	Central Estimate	High Reasonable	Proposed (Implemented)
Workers Compensation	\$63,345	+4.7%	+7.8%	+12.7%	+7.8%
General Liability	8,178	-3.4%	+4.3%	+19.8%	0.0%
Auto Liability	4,790	-29.1%	-23.3%	-15.3%	0.0%
Auto Physical Damage	640	+18.2%	+20.8%	+26.8%	0.0%
Errors and Omissions	10,755	+42.1%	+48.9%	+60.3%	TBD
Property	6,641	-12.0%	-4.9%	+4.9%	0.0%
Total	94,349	+5.5%	+9.8%	+16.8%	TBD
Total Excluding E&O	83,594	+0.8%	+4.8%	+11.3%	+5.9%

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

There were a number of changes between the 2016/17 preliminary and final rate indications

Coverage	Preliminary	Final
Workers Compensation	+1.7%	+7.8%
General Liability	+11.2%	+4.3%
Auto Liability	-33.3%	-23.3%
Auto Physical Damage	+18.4%	+20.8%
Errors and Omissions	+39.5%	+48.9%
Property	-1.8%	-4.9%
Total	+4.9%	+9.8%
Total Excl E&O	+0.5%	+4.8%

- Loss experience was favorable for all coverages except Auto Liability
- General liability loss experience was very favorable
- Increases in allocated expenses and changing impacts of experience modification/individual rating impacted the indications unfavorably

Questions and Discussion

