

# New Jersey School Insurance Group

Board of Trustees Meeting

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October 18, 2023



# Agenda


- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2023
- Potential Rate Implications for Program Year 2024-25
- Questions
- Appendix

# Scope and Distribution



# Scope and Distribution

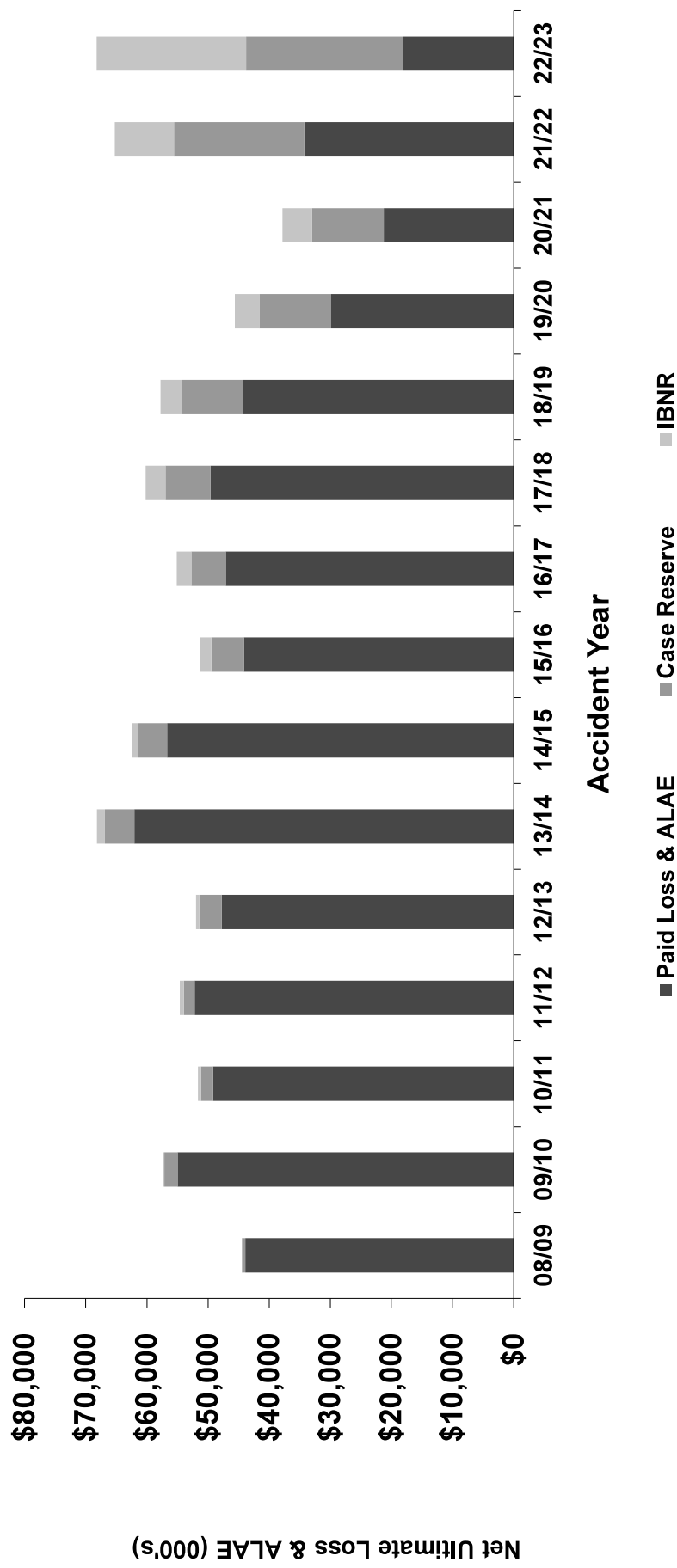
- NJSIG retained WTW to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2023
- WTW presented the results of its review in a draft report dated September 21, 2023
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- The report provides unpaid loss estimates at an actuarial central estimate and above the central estimate
- The following slides provide a high-level summary of WTW's report
- Any conclusions drawn from these slides may be inappropriate and/or incomplete without a thorough reading of the full report
- The distribution of the slides contained herein is limited to the management of NJSIG and its Board of Trustees
- Stacy L.T. Mina is a member of the American Academy of Actuaries and meets its qualification standards to render the actuarial opinion contained herein

A black and white photograph of a globe. The globe is positioned in the upper half of the frame. Its surface is highly reflective, showing a clear reflection of a landscape. The reflected landscape includes a line of trees, a path or road, and a sky with some clouds. The reflection is inverted vertically. The globe itself is partially obscured by the white text box.

# Indicated Loss & ALAE Liabilities as of June 30, 2023

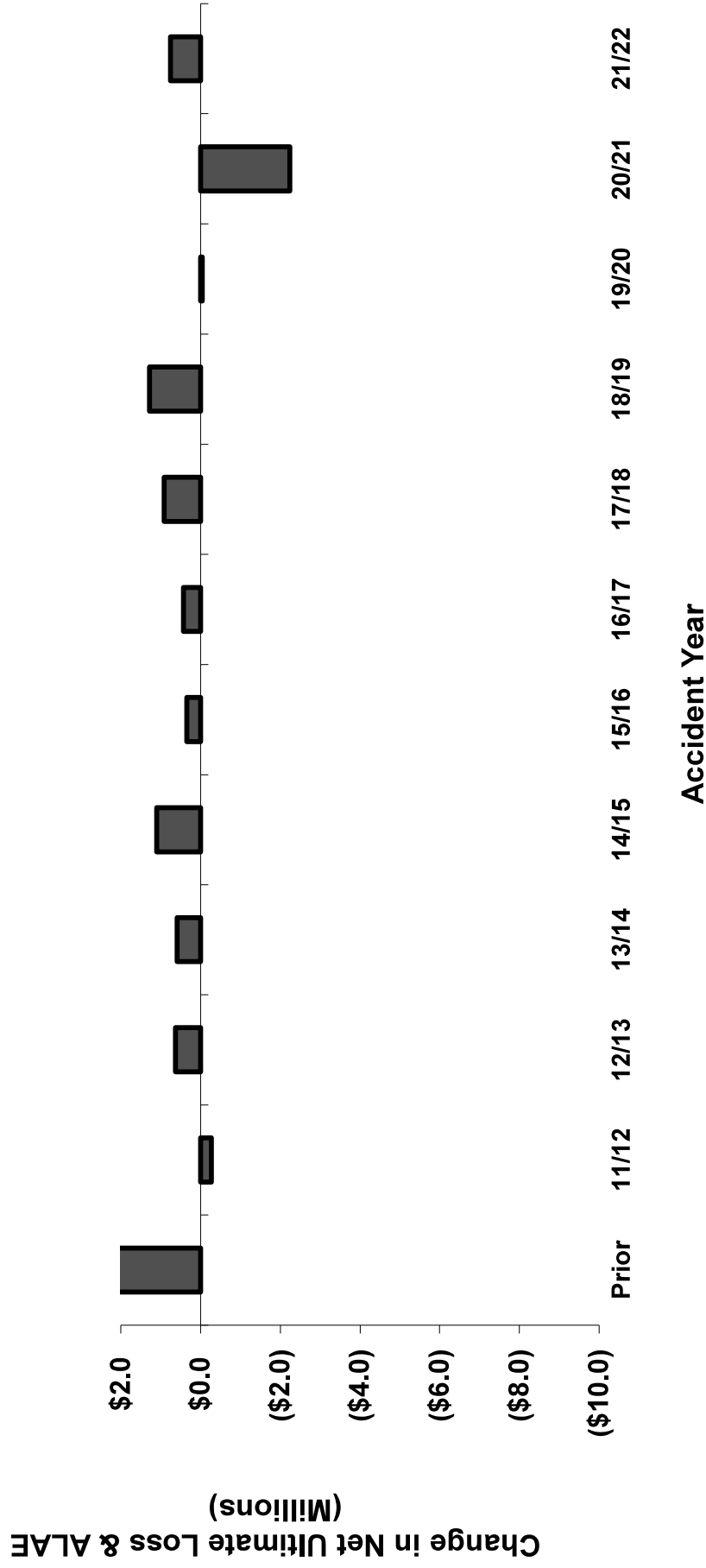
As an accident year ages, case reserves and IBNR generally decrease, and paid losses increase; more uncertainty in recent years' estimates

Total Net Ultimate Loss & ALAE by Component  
Central Estimates (\$000s)



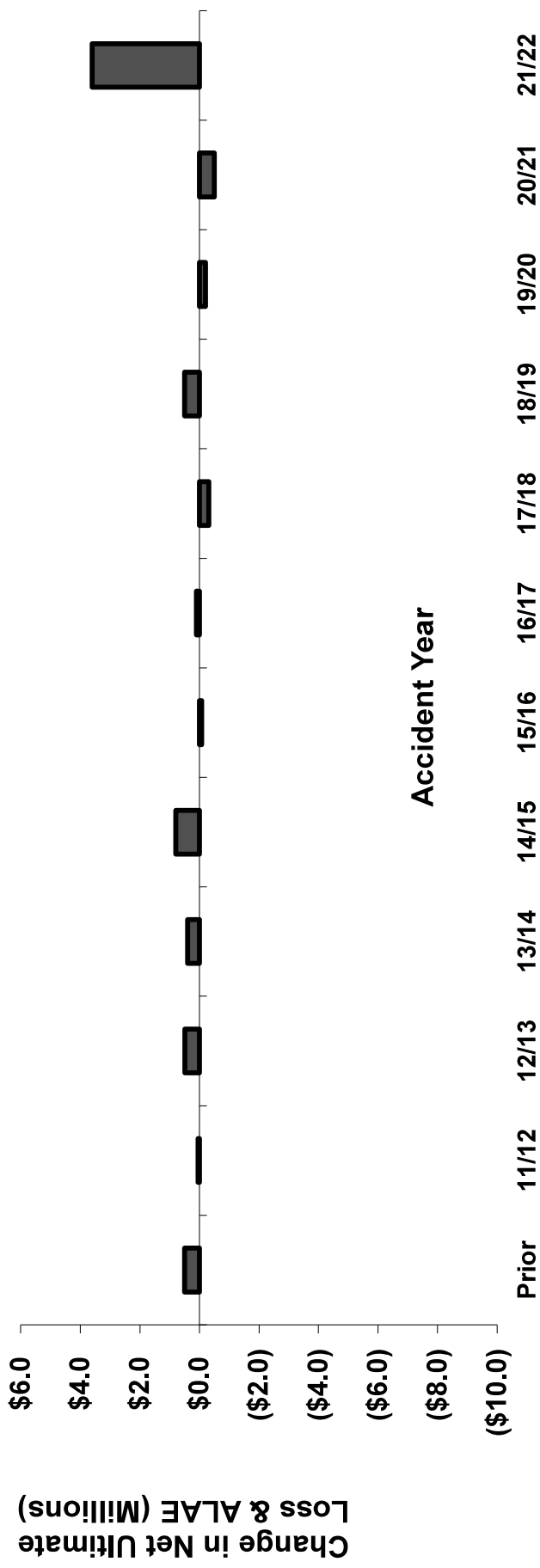
# Emergence during fiscal year 2022-2023 was unfavorable

All Lines - Total Increase = \$5.6 million



Workers compensation unfavorable emergence was primarily driven by 2021/22; multiple other accident years also deteriorated

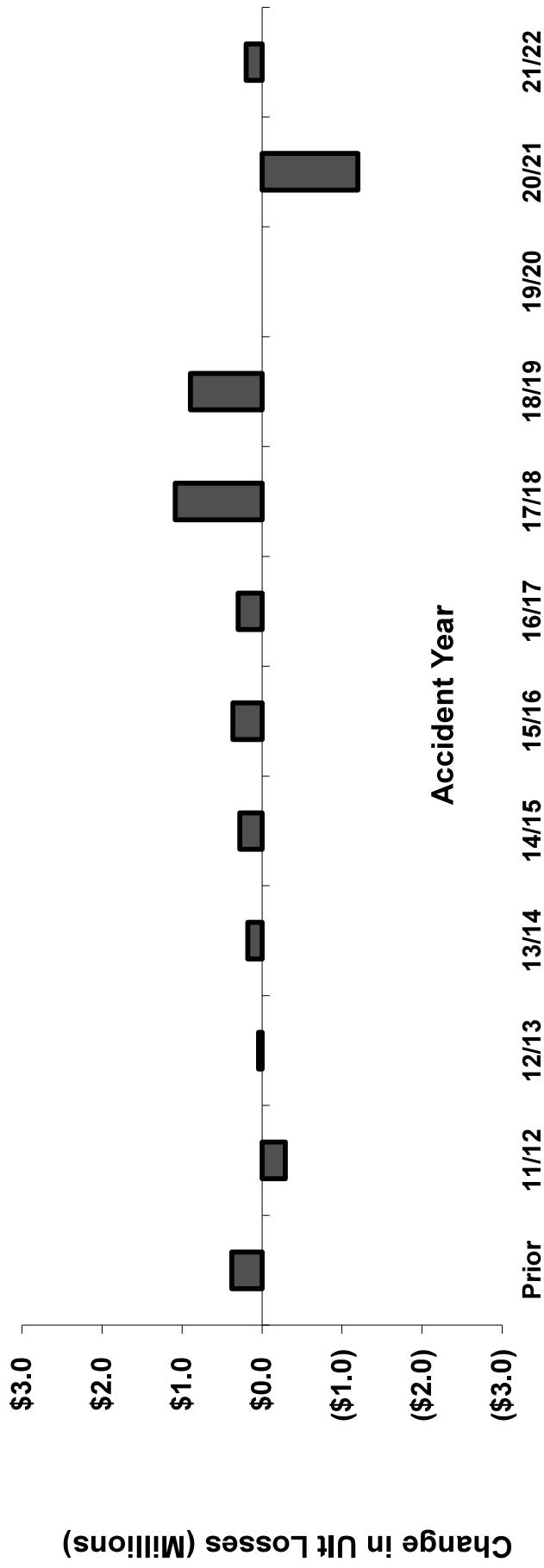
Workers Compensation - Total Increase = \$5.3 million





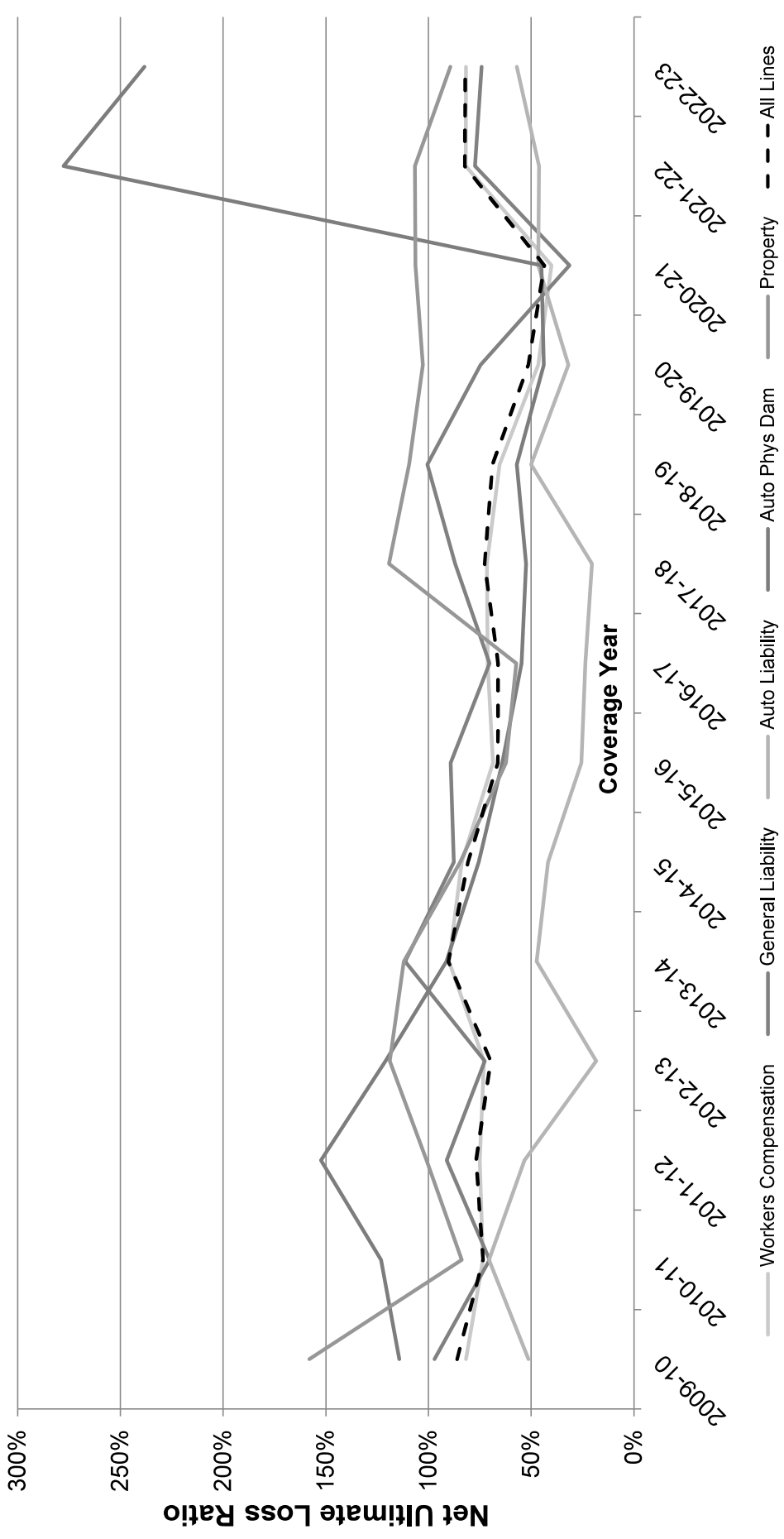
For general liability multiple years experienced deterioration in loss experience partially offset by a 2011/12 and 2020/21 years

**General Liability - Total Increase = \$2.2 million**



The 2021-22 and 2022-23 loss ratios are similar to pre 2015-16 levels; APD results for 2021-22 and 2022-23 were driven by three large claims each and 2021-22 also impacted by Hurricane IDA

**Net Ultimate Loss Ratio as of June 30, 2023**



# Unallocated Loss Adjustment Expense Liability

- We use a blend of NJSIG and insurance industry data
- Indicated liabilities at central estimate decreased from \$9.8 to \$9.6 million
- Booked reserves are \$9.6 million

# Loss and LAE reserve variability can significantly impact surplus

## Impact of Variability on Booked Loss and LAE Reserves and Surplus (\$ Millions)

	Liabilities @6/30/2023	Difference versus Booked	Surplus
Booked*	\$185.8	\$—	\$201.3
Central Estimate	185.8	0	201.3
65% Percentile	196.1	10.3	191.0
75% Percentile	205.2	19.4	181.9
90% Percentile	225.0	39.3	162.0

\*Booked numbers are preliminary and prior to any safety grants or surplus returns to members.

# Potential Rate Implications for Program Year 2024-25

# Preliminary Rate Indications

- The results that follow are based on our June 30, 2023 liability analysis; actual rate indications will be based on data evaluated as of September 30, 2023
- WTW has not performed an in-depth analysis of rates at this point

# The July 1, 2024 rate level indication implies flat to higher rates in total driven primarily by workers compensation results

Coverage	Initial Expected 2024-25 Rate Change*	Direction of 2024-25 Rate Indication based on Liability analysis
Workers Compensation	2%	Flat to Higher
General Liability	2%	Higher
Auto Liability	(1%)	Lower
Auto Physical Damage	0%	Higher
Property	5%	Flat
Total	3%	Flat to Higher

\* Based on prior rate analysis, the 2023-24 implemented rates and additional years' trend.

# Questions and Discussion





# Appendix



# There is uncertainty inherent in the estimates of unpaid loss and ALAE

- Our estimates are based on historical claim and loss information
- There is no guarantee that estimates will prove to be accurate, and will change with future updates as new data emerges
- Multiple projection techniques (methods and models) are used, which provide various indications of the ultimate loss and LAE
- The confidence levels provided here are not all inclusive
- These estimates are based on NJSIG's historical experience and do not reflect extreme events that have a remote possibility of occurring

# There is uncertainty inherent in the estimates of unpaid loss and ALAE (cont)

**The inherent uncertainty associated with ultimate loss and LAE estimates is magnified in this case due to the following:**

- NJSIG's mix of business is weighted toward coverages such as workers compensation and general liability for which the estimation of unpaid loss is more uncertain.
- NJSIG has relatively high per occurrence retentions, which increases the uncertainty.
- The geographic (New Jersey) and industry (schools) concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events.
- The passage of SAM legislation in New Jersey significantly extends the statute of limitations and may impact loss amounts in ways that are not quantifiable at this time.
- Historical changes in claims handling procedures and coverage determination increase the uncertainty associated with our liability estimates.
- COVID-19 has had a significant effect on global economic activity and created social disruption. The impact of claim settlement or adjudication delays and long-term impacts on students due to shutdowns and remote learning remains uncertain.
- Recent changes in general inflation, particularly in the cost of materials and labor costs related to property damage repairs, could have an impact on the run-off of reserves.
- NJSIG's liability lines are subject to social inflation, that is, increases in claim settlement amounts and jury awards for cases that exceed increases expected from economic inflation.

# Glossary

- AL – Automobile liability
- ALAE – Allocated loss adjustment expense
- APD – Automobile physical damage
- Case Reserves – claim value estimate set by adjuster (reported loss – paid loss)
- E&O – Errors and omissions
- Frequency – Claims per unit of exposure
- GL – General Liability
- IBNR – Incurred But Not Reported (ultimate loss – reported loss)
- LAE – Loss adjustment expense (ALAE + ULAE)
- Severity – Average loss per claim
- ULAE – Unallocated loss adjustment expense
- WC – Workers compensation