



New Jersey Schools Insurance Group

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Board of Trustees Meeting of September 20, 2017

Discussion Item

Risk Based Capital/Surplus Study Guideline as of June 30, 2017

NJSIG will review and present each fiscal year end fund surplus versus the Risk Based Capital (RBC)/Total Adjusted Capital (TAC) established by the resolution passed at the June 30, 2016 meeting. That resolution stated the following:

Each year-end, until a new surplus study is performed, NJSIG should adopt the methodology that the NJSIG member equity (surplus) target threshold should minimally meet the adapted RBC value (as determined by Sigma), including a yearly inflation factor (as measured by the Consumer Price Index and published by the Bureau of Labor Statistics), times the RBC ratio range of 2.15 – 3.30 (as determined by Sigma). The Group’s adapted RBC is to be evaluated at a minimum of every five years by an independent firm. Sigma Actuarial Consulting Group was engaged to perform a strategic Total Adjusted Capital/Risk Based Capital (TAC/RBC) analysis for NJSIG. Sigma used the Group’s preliminary 06/30/16 financial reports which included the 06/30/16 Willis Towers Watson study of ultimate liabilities, the 06/30/16 GASB68 adjustments (as per the NJ KPMG state report) and the assumption of a \$3 million 2015/2016 safety grant.

NJSIG’s adapted RBC from the 06/30/2016 Sigma Actuarial Surplus Study was \$31.6 million. The published twelve-month inflation rate at 06/2017 (as measured by the Consumer Price Index and published by the Bureau of Labor Statistics) was 1.6%. NJSIG’s 06/30/2017 RBC/TAC adjusted for 1.6% inflation is \$32.1 million.

The RBC ratio range (as determined by Sigma) is 2.15 – 3.30. Multiplying NJSIG’s inflation adjusted RBC by these ratios sets the NJSIG 06/30/2017 RBC/TAC Surplus threshold/guideline ranges between \$69.1 million and \$106.1million.

The projected 06/30/2017 NJSIG surplus (assuming a \$ 4 million safety grant) is \$83.1 million. This is within the 06/2017 RBC/TAC targeted threshold of \$69.1 million and \$106.1 million.

Michele Carosi

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Comptroller