

New Jersey Schools Insurance Group

6000 Midlantic Drive, Suite 300 North
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(609) 386-6060 • FAX (609) 386-8877
www.njsig.org

Board of Trustees Meeting of September 20, 2017 Action Item Safety Grant

NJSIG's Safety Grant Policy #3710 states the following:

The purpose of the Safety Grant program is to provide NJSIG members the resources needed to complete risk reduction projects. By reducing the risk at member districts, the Group's overall claim severity or frequency will be reduced. Thus reducing the cost of membership going forward.

Membership in the Group at safety grant distribution is required. This requirement ensures that the safety grant distribution will meet the purpose of reducing Group risk.

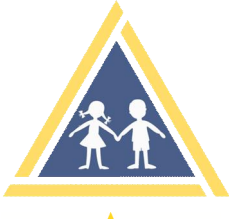
The Safety Grant program is based on a snapshot in time coinciding with the fiscal year-end financial results. The current year's underwriting surplus or loss will be used to determine the availability and amount of that year's grant.

Underwriting surplus is dependent on the actuary's determination of ultimate risk for all open claims. The Group may not choose to use an ultimate liability projection below the 50% confidence level determined by the independent actuarial study valued as of June 30th of any fund year.

A grant may only be declared in a fiscal year in which the Group's net results exceed its investment income. The allocation of the grant will be determined by an actuarial study, conducted by the Group's contracted actuary, taking into account premium dollars and losses.

The NJSIG Board of Trustees will determine each year whether a grant will be offered and the total amount of any grant. The Group's Executive Director will have the authority to declare a grant not to exceed 50% of the net underwriting surplus. This authority will permit the grant to be expensed in the year in which the underwriting surplus occurred.

Distribution of the grants may be made in any future year.



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The most recent fund year ending 6/30/2017 resulted in an \$18.9 million change in net position (when using the actuary's 65% confidence level reserving methodology). The 06/30/2017 net investment income is \$1.3 million. The resulting underwriting surplus is \$17.6 million.

The 2016/2017 recommendation is to award a \$4.0 million safety grant which is approximately a 33% increase from the \$3.0 million 2015/2016 safety grant. The remaining 2016/2017 underwriting surplus will be retained by NJSIG to partially offset potential reinsurance carrier pricing, to potentially deploy to members as reduced premiums and to sustain safety fund increases over the future fiscal year(s).

A \$4.0 million safety grant will result in a \$14.9 million increase in NJSIG's net change in surplus. The 2016/2017 surplus will be \$83.1 million after awarding the \$4.0 million of safety grants. The \$83.1 million surplus falls within the 2016/2017 adjusted Risk Based Capital target threshold of \$69.1 million and \$106.1 million.

Recommended Resolution: Approve \$4.0 million safety grant to be expensed from the 2016/2017 fund year for future safety grant awards. This award is to be distributed after 7/1/2018 to NJSIG 2016/2017 members of record as of 7/1/2018.

Michele Carosi

Michele Carosi, Comptroller