



New Jersey Schools Insurance Group
6000 Midlantic Drive, Suite 300 North
Mount Laurel, New Jersey 08054
www.njsig.org

Board of Trustees Meeting of November 18, 2019

Executive Director's Report

The November 18th Board of Trustees meeting is a very full agenda. Each of the NJSIG managers provides specifics in each of their reports, so I will limit my comments to the state of the organization. I am retiring at the end of the month with full confidence in the NJSIG organization, its' staff and management, and in the Board of Trustees. NJSIG is financially strong and capable of carrying out the clear mission ahead.

In the past five years, NJSIG has grown from \$120 million to \$140 million in annual contributions. In that same period, staff headcount has remained unchanged. However, NJSIG added significant staff legal, actuarial, internal audit and data analysis expertise. Despite the growth in internal intellectual capital, total payroll has increased 7% from \$5.5 million to \$5.9 million (2014/15 vs. 2018/19 actuals). NJSIG's net position (surplus) increased from \$54.4 million to \$ 107.8 million, plus an additional \$16 million in assets as required by GASB 68. Total claim reserves held by NJSIG decreased from \$215 million to \$209 million while increasing the adequacy of reserves from 50th percentile to 65th percentile.

During a 2014 interview as a candidate for Executive Director, Trustees expressed several imperatives that they wanted to have addressed:

- The headquarters lease was about to expire, and the current facilities were not sufficient;
- Reinsurance was in jeopardy due to Sandy losses and the Edison fire loss. E&O reinsurance was in peril due to continuing deterioration in losses.
- Staff perpetuation plans were insufficient, and several key managers were approaching retirement.
- Trustees questioned the sufficiency of internal controls and compliance matters. They also expressed concerns regarding the organizational culture.

Each of the Board's concerns were addressed and remedied. Our new facilities have been very successful and are a source of pride to NJSIG. Reinsurance relationships are no longer strained, as substantiated by results over the past five years. Staff

additions and promotions have been successful, with a very noticeable increase in professionalism and effectiveness. The organizational culture is one of keen awareness regarding our role as a public entity existing solely for the benefit of New Jersey public schools. A torrent of audits by three public accounting firms, a law firm, Department of Banking and Insurance, the State Auditor and reinsurers confirm the sufficiency of compliance policies and internal controls. Operating results have been favorable as well. Since 2015, Trustees have approved more than \$25 million in safety grants to Members (inclusive of the proposed 6/30/2019 results).

I am retiring from NJSIG with a sense of collective accomplishment. Staff and management have completed a massive upgrade to the claims information system and the information management system. NJSIG is now exploiting our data mine and creating actionable analytics for use by staff, brokers and Members. New and positive relationships with banking, auditing and investment banking are in place. Relationships with the NJSBA, NJASBO and NJASA are improved and continue to develop. The Board of Trustees is engaged and knowledgeable and has shepherded NJSIG through turbulent changes. It has been a pleasure to work with each of you.

Incoming Executive Director Jill Deitch will certainly face challenges going forward. On the immediate horizon are challenges related to new legislation for sexual abuse and molestation allegations. Reinsurance markets are reportedly firming, and E&O remains a troubled line of business. Environmental and Cyber risks will impose new challenges over the next few years. Because she is forward thinking and strategic, has great staff and management and the guidance of a strong Board of Trustees, I have full confidence in Jill and NJSIG in the years ahead. It has been a privilege to serve.

Respectfully Submitted,

William Mayo
Executive Director