



New Jersey Schools Insurance Group
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December 1, 2018

Re: NJSIG Procedural Update to the Safety Grant Process

NJSIG distributed safety grants of \$2.3 million, \$2.9 million and \$4 million to current members during fiscal years 2017, 2018 and 2019 respectively. NJSIG's Board of Trustees announced an \$11.5 million grant as of June 30, 2018. The combination of this \$11.5 million grant and the remaining allocated grant from June 30, 2017 totals \$15.9 million. This will fund minimum safety grants of \$4.5 million to be distributed in each of the 2020, 2021 and 2022 fiscal years. An additional \$2.4 million has been funded for a minimum safety grant in 2023.

The funding is made possible mostly from claim reserve reductions recommended by NJSIG's actuary. Fiscal year 2018 operating expenses and Member contributions were very close to budgeted amounts, so it would be inaccurate to describe FY 2018 results as emanating from excessive charges to members. Rather, they come predominantly from lower reserve requirements. Reserve reductions are not expected to be recurring in future years. Depending on changes that occur in open claims over the course of each year, reserve requirements could increase or decrease. For that reason, Trustees agreed to establish consistent future safety grant funding that enables members to pursue longer term safety and loss reduction initiatives.

NJSIG shifted the safety grant application process to a portal-based process in 2015. The portal was favorably received by almost all members, adding process efficiency and aids in record keeping. However, NJSIG believes that additional changes are needed to complete the procedural updates. There is \$15.9 million in safety grant funding for 2020 through 2023. The following proposed changes in procedures improve transparency of the grant allocations by sub-funds to members. It also permits NJSIG to accurately account for the distribution of funds and to make sure the appropriate fund amounts are received by members and used for intended purposes.

Beginning in 2019, NJSIG's actuary, Willis Towers Watson, will perform the allocation of safety grant funds. Each of the sub-funds will have a \$2,000 minimum. There will be no Member grant maximums. The Willis Towers Watson allocation is based on a combination of prorated premium size of the Member and the sub-fund's three year loss experience relative to the pool. Process timing is essentially unchanged, but is now formalized in a schedule.

Proposed Safety Grant Schedule:

November 1 – NJSIG’s Board of Trustees authorizes the safety grant and its distribution.

December 1 – NJSIG submits grant distribution results from the previous year to WTW along with the Trustees new grant declaration.

February 1 – WTW delivers the new safety grant allocation amounts by member. NJSIG reviews and confirms the amounts.

February 15 – NJSIG forwards to sub-fund administrators their respective WTW sub-fund grant allocation by Member for review, comment and written confirmation.

March 1 – Deadline for NJSIG’s receipt of Sub-Fund Administrator’s written confirmation.

March 15 – The allocation amounts and any corrections are completed and the grants are posted to the portal. NJSIG reviews and confirms the amounts prior to the portal opening to NJSIG members for grant applications.

April 1 – The portal opens for grant applications and the grant allocation amounts are emailed to the NJSIG members.

June 1 – Portal closes. Members must supply applications before June 1st.

November 1 – Deadline for NJSIG’s receipt of board resolutions to receive safety grants. The process closes for the year on November 1st, and the final results are sent to WTW to begin the process for the subsequent year.

Sincerely,

William M. Mayo, CPCU, ARM

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Executive Director