



New Jersey Schools Insurance Group
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Board of Trustees Meeting of September 18, 2019 Executive Director Report

The financial audit for the 2018-2019 year is underway, and the preliminary results are again very favorable. NJSIG enters the 2019-2020 policy year with a strong balance sheet and income statement. Member contributions are up from \$132 million to \$139.5 million projected for 2019-2020.

The management team at NJSIG is in place, and is prepared to continue the success of recent years. Sherwin Archibald assumed the Claim Manager role after serving as Claim Supervisor for NJSIG. Michele Carosi continues to lead the Accounting Dept. but with the title of Chief Financial Officer. Michele's title reflects her strategic role leading the financial operations and her leadership role on the executive team. Claire King was promoted from Underwriting Supervisor to Underwriting Manager and Debra Rice was promoted to Client Relations and Risk Control Manager from Client Relations Supervisor. As we prepare the year-end financial reports, it is apparent that the NJSIG managers and staff are producing favorable results for the membership with reductions in paid claims, reserve reductions, and operating expenses as well as improved investment income and subrogation recoveries.

2019-2020 looming challenges include new legislation expanding sexual abuse and molestation claims statute of limitations. Fortunately, the bill's sponsor amended the legislation wording to establish public entity liability standards that were absent from the original bill. However, there is no good data available to help in estimating the financial impact to our members. NJSIG is working on several potential solutions should the legal environment dictate a divergence from current procedures. 2019-2020 will likely be a year of diminished investment income as Fed. Fund Rates continue to fall. Finally, there are some signs of tightening in the reinsurance markets that might adversely impact reinsurance premiums for NJSIG.

Wilmington Trust has recommended that NJSIG move to a slightly longer maturity horizon in the laddered Treasuries portfolio. It is widely believed that the Fed. will reduce rates at the September 18th meeting and possibly again at the October 31st

meeting. As portfolio Treasury notes mature in September, October and November, Wilmington Trust will reinvest in new Treasuries with longer maturities. The investment portfolio consists of Member claims reserves and surplus.

CFO Carosi will present the preliminary June 30, 2019 financial report reflecting an excess of revenue over expenses. Favorable paid claim results, reductions in operating expenses, improvements in investment returns, reductions in reserves and favorable subrogation recovery efforts combined to create the excess revenue. The preliminary financial report reflects that the excess funds will initially be placed in surplus for use in a four-year price reduction strategy for members.

NJSIG stands ready to meet the challenges and opportunities in this new year.

Respectfully Submitted,

William M. Mayo, CPCU, ARM
Executive Director
New Jersey Schools