



## New Jersey School Boards Association Insurance Group

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### Board of Trustees Meeting of September 12, 2012

#### Discussion Item

#### Member Equity Guideline

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Each year the NJSBAIG will review the fund surplus versus the guideline established in the resolution passed at the December 8, 2010 NJSBAIG meeting. That resolution is:

The member equity (surplus) for the NJSBAIG should minimally meet the adapted RBC value as determined by the Sigma study, including a yearly inflation factor, times the average of the five most recent average industry ratios of member equity (surplus) to RBC as defined by the NAIC survey of licensed insurance carriers. The Group's adapted RBC is to be evaluated at a minimum of every five years.

The adapted RBC as determined by Sigma in their 2010 study was \$25 million. The inflation adjusted RBC for 2011 was \$25.9 million. The inflation rate as measured by the Consumer Price Index and published by the Bureau of Labor Statistics (BLS) is 1.7% for June 2011 to June 2012. Inflating the RBC for the 1.7% inflation rate brings the new RBC to \$26.3 million.

The RBC to surplus five year average ratio from the latest NAIC published report is 3.08. Multiplying that ratio of 3.08 times the inflation adjusted RBC \$26.3 million sets the NJSBAIG surplus guideline at \$81.0 million.

The projected Group surplus is approximately \$63 million at 6/30/12.

*Marty*

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