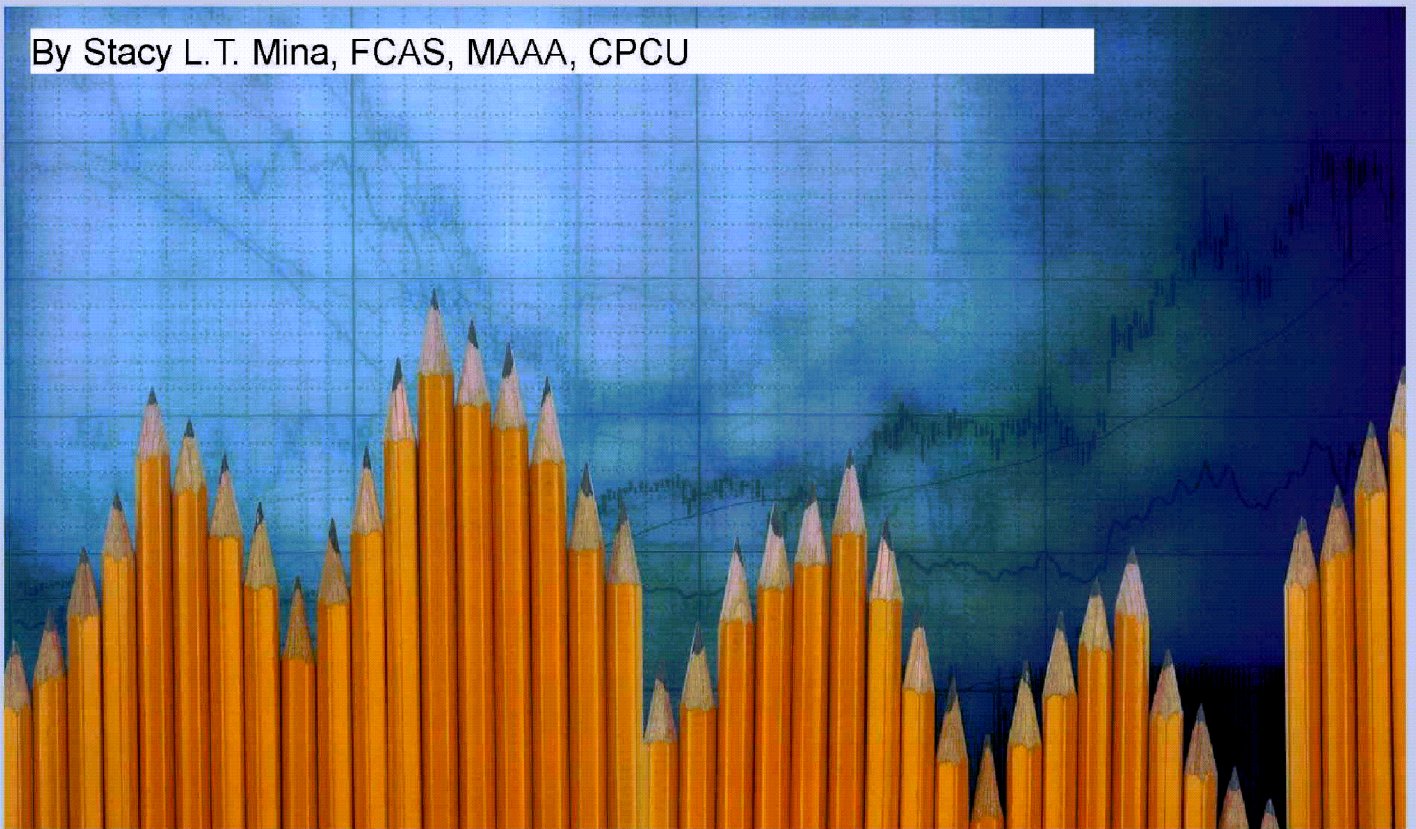



New Jersey Schools Insurance Group Board of Trustee Meeting

November 29, 2017

By Stacy L.T. Mina, FCAS, MAAA, CPCU

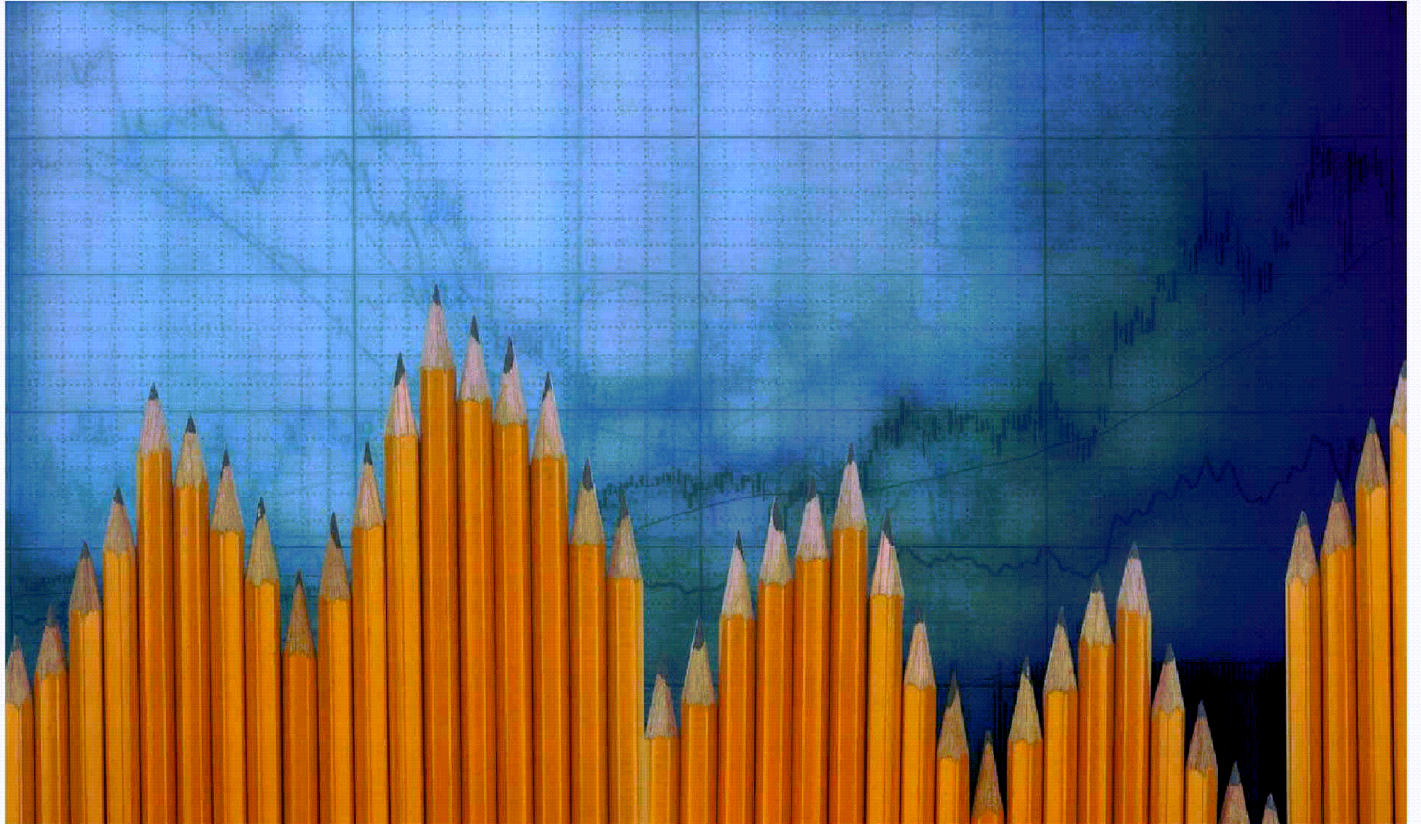


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Agenda

- Purpose and Scope / Distribution / Reliances and Limitations
- Estimating Rate Level Changes
- Indicated Rate Changes for July 1, 2018
- Questions and Discussion



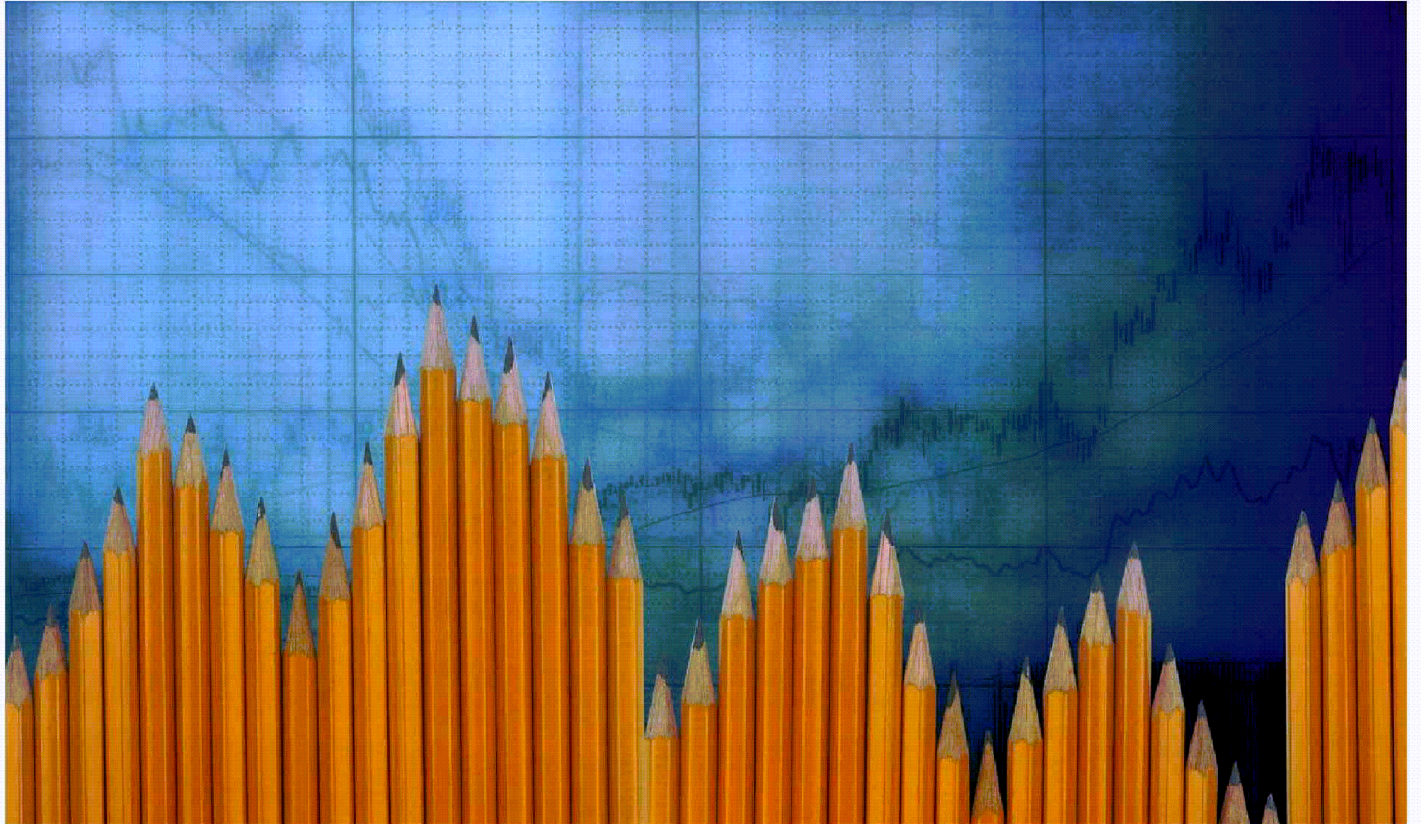
Purpose and Scope / Distribution / Reliances and Limitations

Basic Details

- Data is evaluated as of September 30, 2017
 - Update to September 30, 2016 analysis
 - Uses losses and exposures for current members only
- Willis Towers Watson presented the results of its review in a draft report dated November 15, 2017
- The following slides provide a high-level summary of Willis Towers Watson's report
 - Any conclusions drawn from these slides may be inappropriate and/or incomplete without a thorough reading of the full report
 - The report and presentation were prepared for the internal use of NJSIG management to present our findings with respect to our analysis, and it is our understanding that our findings will be considered for the purpose of establishing 2018/19 rate levels
- Distribution is limited to the management of NJSIG and its excess insurers and regulators (the Recipients)
 - It may not be further distributed, disclosed, copied or otherwise provided to any other party
 - Each Recipient is responsible for its own due diligence and will place no reliance on this report that would result in the creation of any duty or liability by Willis Towers Watson to the Recipient
- Stacy Mina is a member of the American Academy of Actuaries and meets its qualification standards to render this actuarial opinion

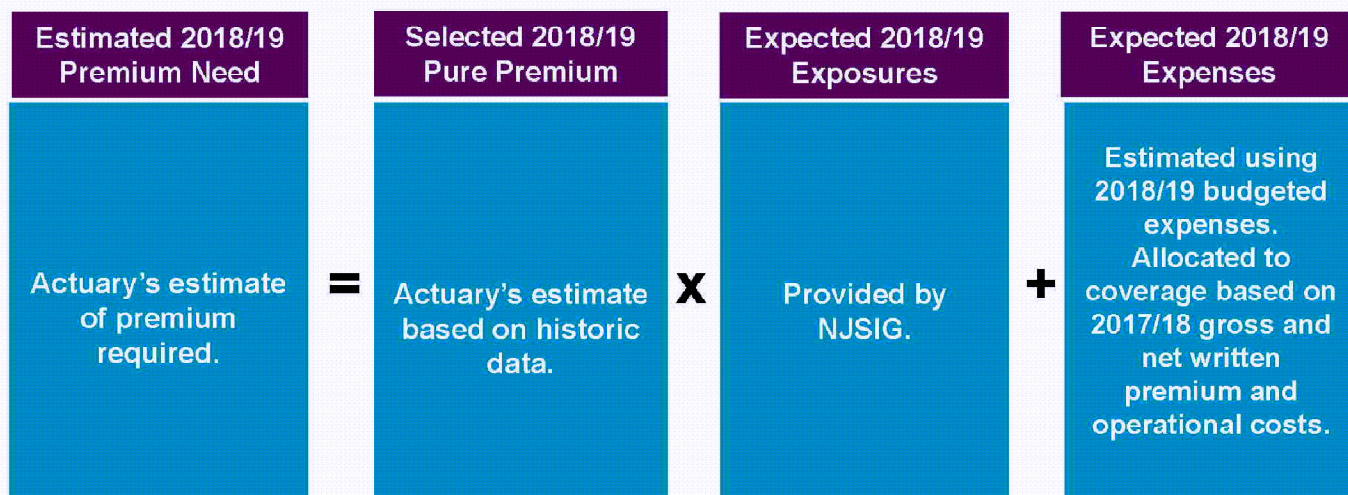
Reliances and Limitations

- There is inherent uncertainty in the estimation of prospective loss and ALAE
 - Claims are subject to outcomes that have not yet occurred; actual emergence will vary
 - NJSIG has relatively high per occurrence retentions, particularly for E&O
 - E&O is a high severity/low frequency exposure, where a single claim can have a significant impact
 - Small volumes of data tend to be volatile as seen for E&O and some of the WC sub funds
 - There is no guarantee the 2018/19 rate indications will prove to be adequate or not excessive
- The range implied by these estimates is not all inclusive
 - Estimates are based on NJSIG historical experience and do not reflect extreme events that have a remote possibility of occurring
- We have relied on historical and other quantitative and qualitative information provided by NJSIG
 - We have not audited this information but did review for reasonableness and consistency

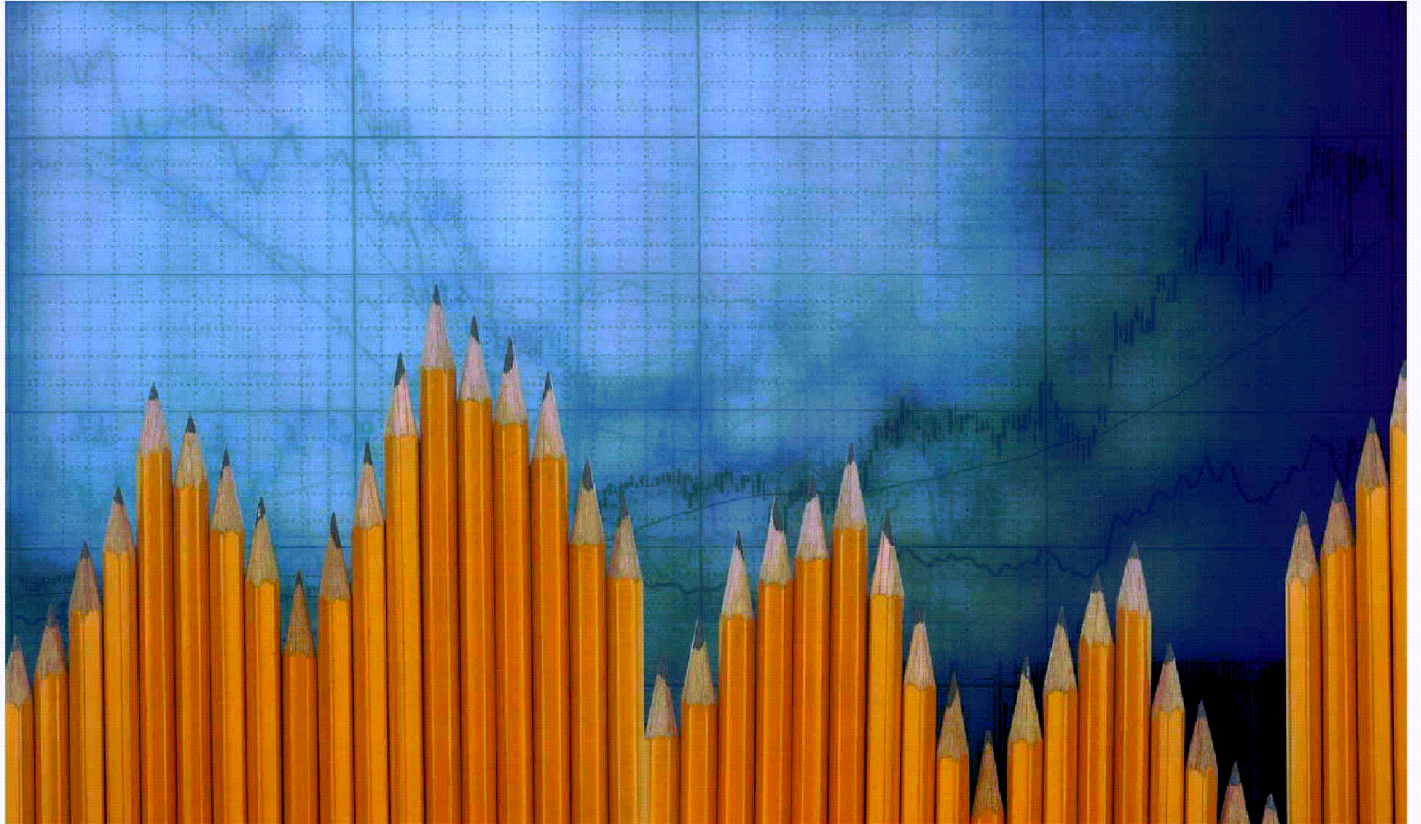


Estimating Rate Level Changes

General Ratemaking Approach

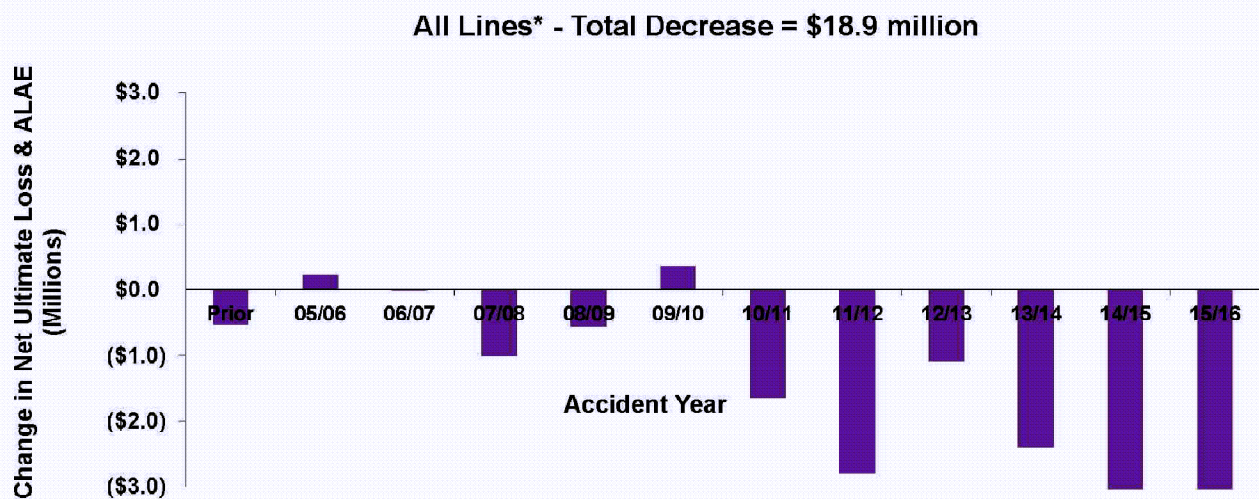


- We have relied on historical and other quantitative and qualitative information provided by NJSIG



Indicated Rate Changes for July 1, 2018

Liability Analysis as of June 30, 2017 produced favorable experience in most years which drives rate indications



- There was overall improvement for each coverage
- Favorable experience in the more recent years has a larger impact on rate indications

The analysis produces a range of rate level indications

Coverage	Estimated 2018-19 Premium (\$000s)	Estimated 2018 – 2019 Retained Rate Change			
		Low Reasonable	Central Estimate	High Reasonable	Proposed Change
Workers Compensation	\$66,801	+2.3%	+4.3%	+7.4%	+5.0%
General Liability	7,786	-7.5%	-1.0%	+6.8%	-13.0%
Auto Liability	4,674	-29.5%	-23.6%	-15.3%	-13.0%
Auto Physical Damage	635	+10.5%	+14.0%	+19.2%	-13.0%
Errors and Omissions	14,202	-13.5%	-8.2%	-1.2%	TBD
Property	7,212	-32.1%	-27.9%	-20.8%	-13.0%
Total	101,309	-4.5%	-1.3%	+3.2%	TBD
Total Excluding E&O	87,108	-3.1%	-0.2%	+3.9%	+0.8%

- The overall proposed rate level change for retained limits is slightly above the central estimate, excluding errors and omissions

There were a number of changes between the 2018/19 preliminary and final rate indications

Coverage	Preliminary	Final
Workers Compensation	+1.3%	+4.3%
General Liability	+1.0%	-1.0%
Auto Liability	-16.6%	-23.6%
Auto Physical Damage	+26.0%	+14.0%
Errors and Omissions	+33.7%	-8.2%
Property	-20.3%	-27.9%
Total	+3.0%	-1.3%
Total Excl E&O	-2.0%	-0.2%

- Loss experience was favorable for all coverages except general liability
- Unfavorable general liability loss experience more than offset by individual rating
- E&O and property loss experience was very favorable
- Changes in impact of individual rating significant for all coverages except workers compensation
- Workers compensation
 - Upward rate impact from frequency trend change; rate of decrease has slowed
 - Shift in payroll from non-professional to professional class results in lower collected premium

Questions

