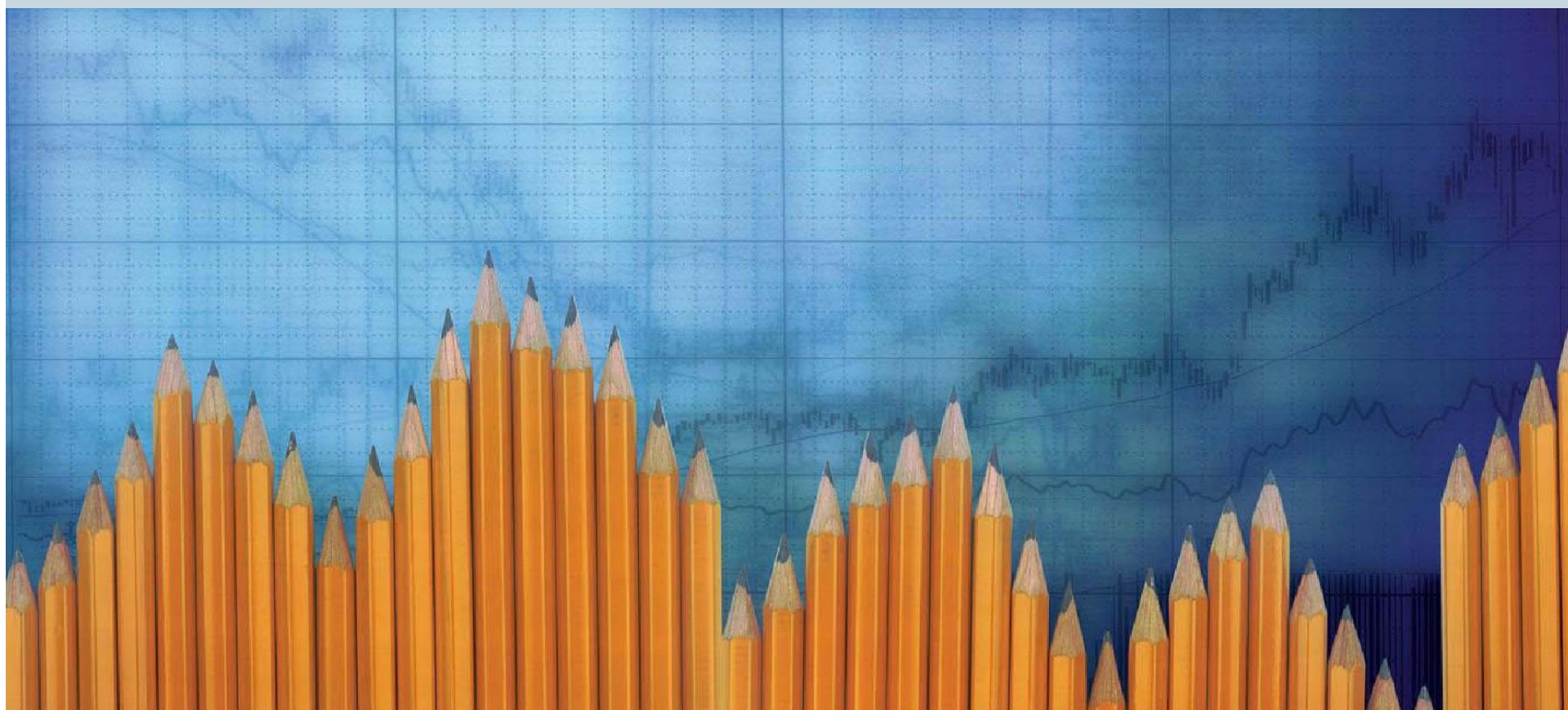


New Jersey School Insurance Group

Board of Directors Meeting

September 18, 2020

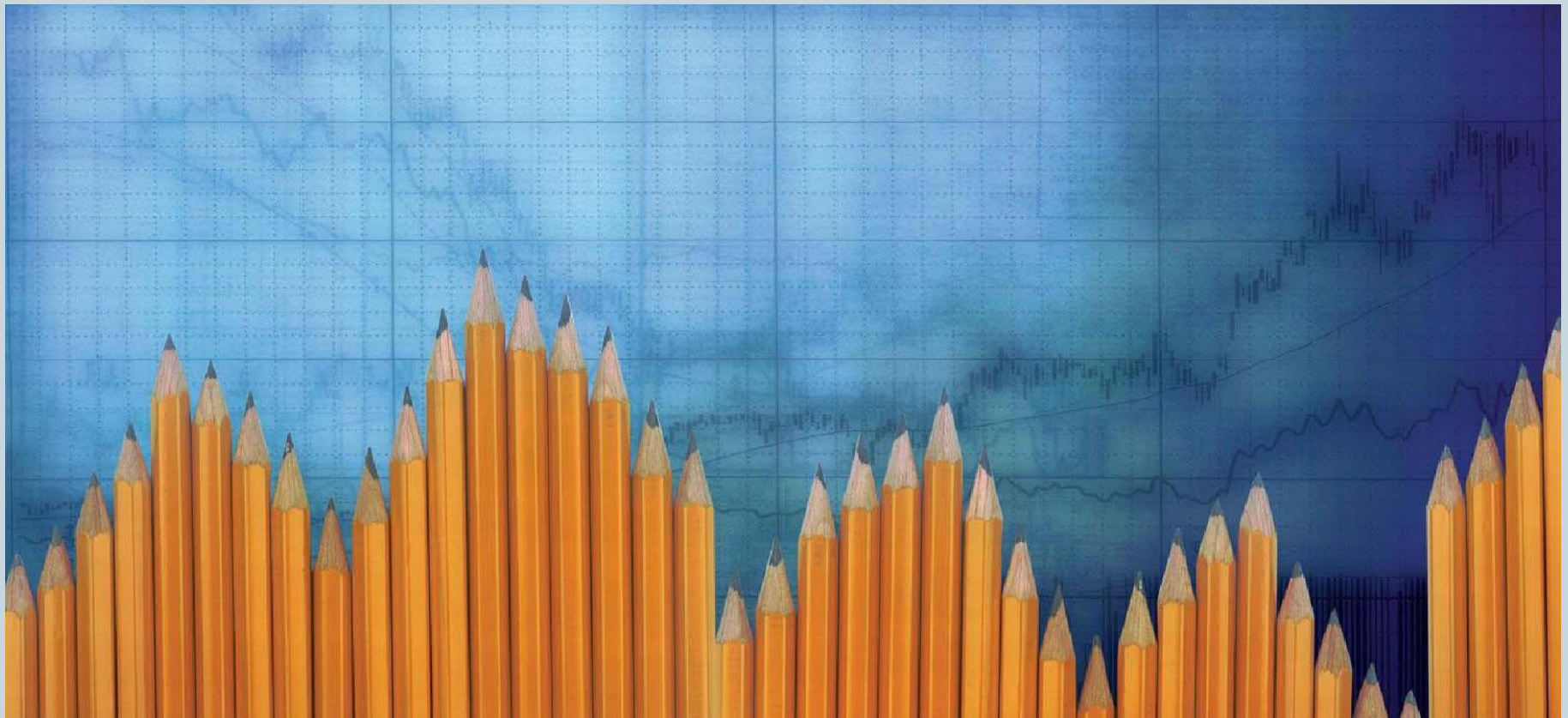
Presented by: Stacy L.T. Mina, FCAS, MAAA, CPCU



Agenda

- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2020
- Potential Rate Implications for Program Year 2021-22
- Questions
- Appendix

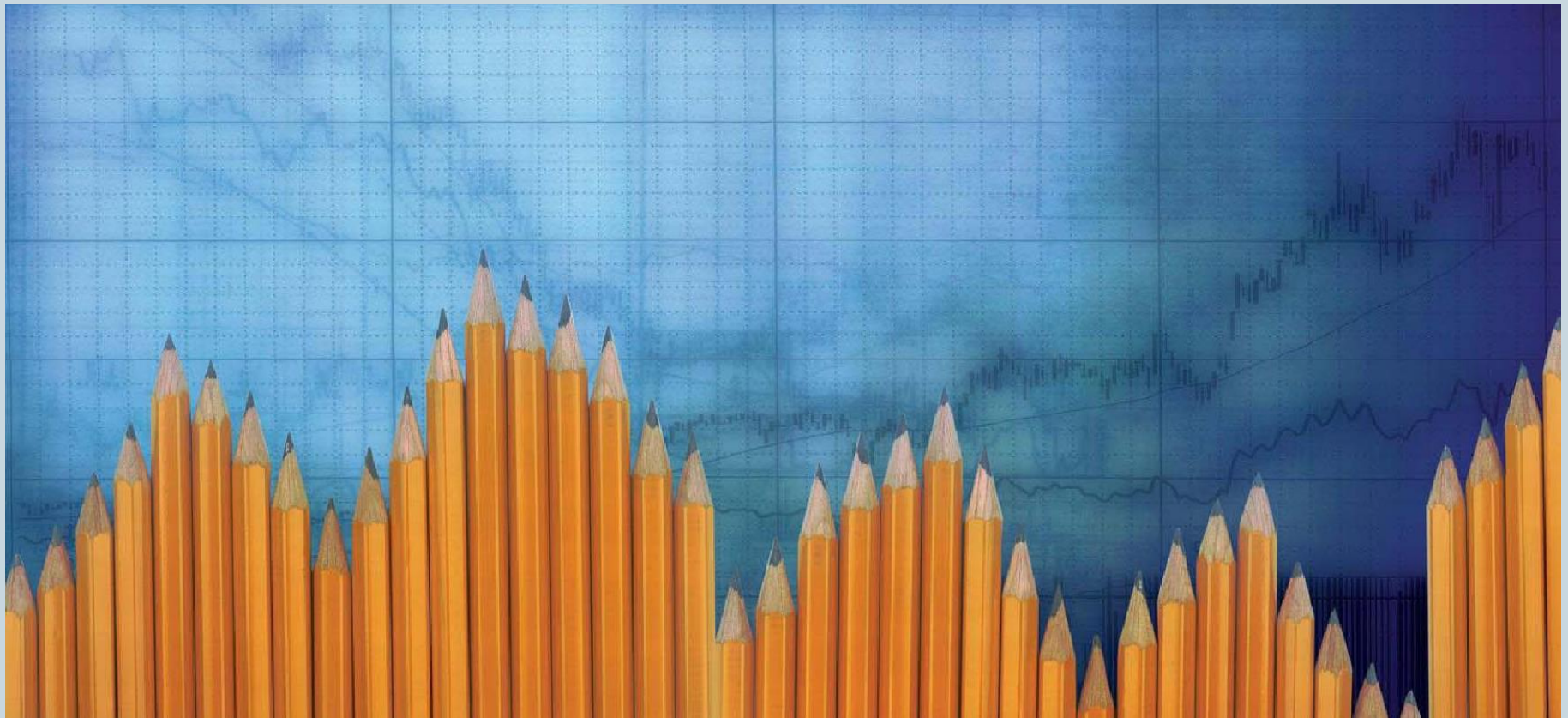
Scope and Distribution



Scope and Distribution

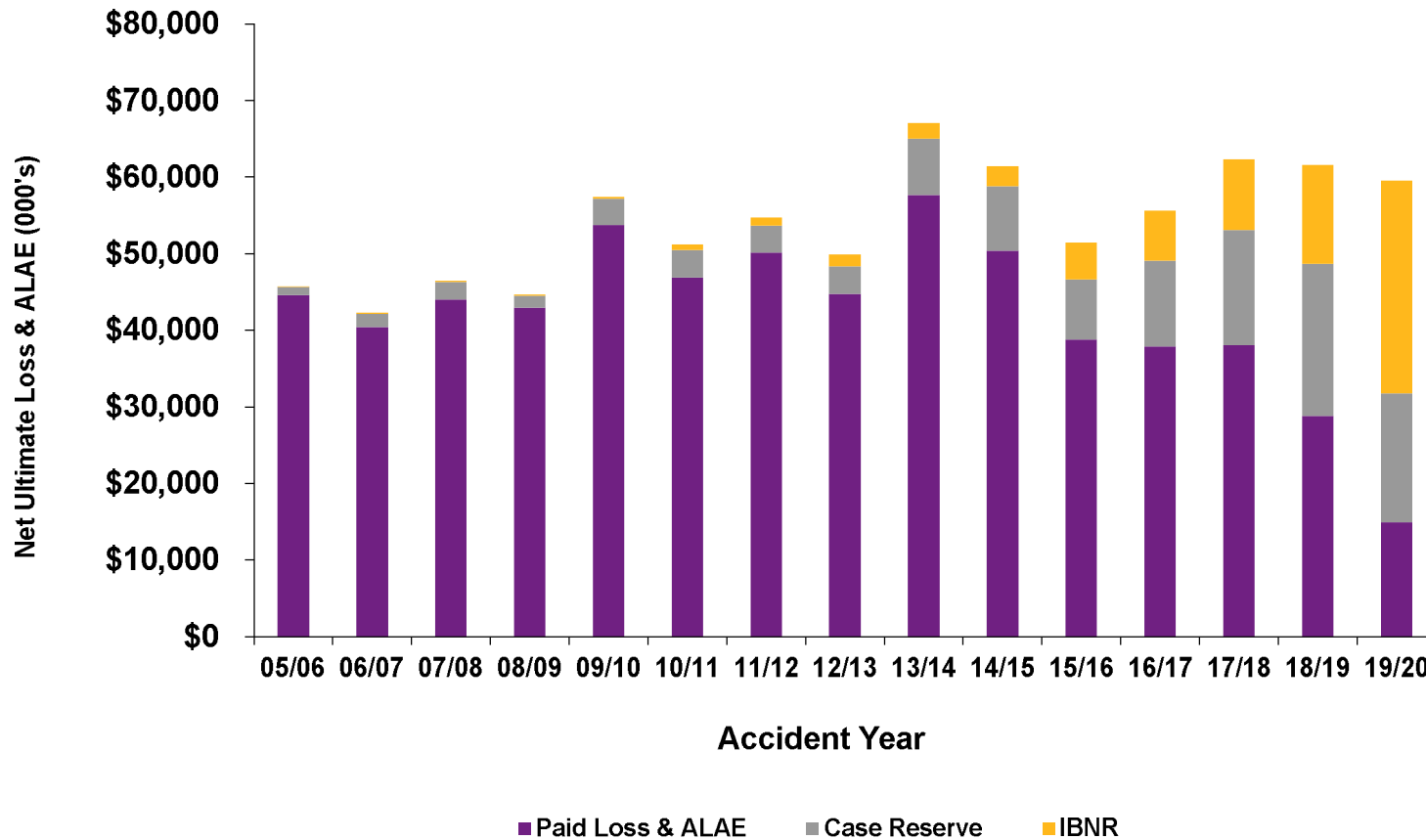
- NJSIG retained Willis Towers Watson to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2020
- Willis Towers Watson presented the results of its review in a draft report dated August 10, 2020
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- The report provides unpaid loss estimates at an actuarial central estimate and above the central estimate
- 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 distribution of the slides contained herein is limited to the management of NJSIG and its Board of Trustees
- Ann M. Conway, Stacy L.T. Mina and Jason Brown are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein

Indicated Loss & ALAE Liabilities as of June 30, 2020

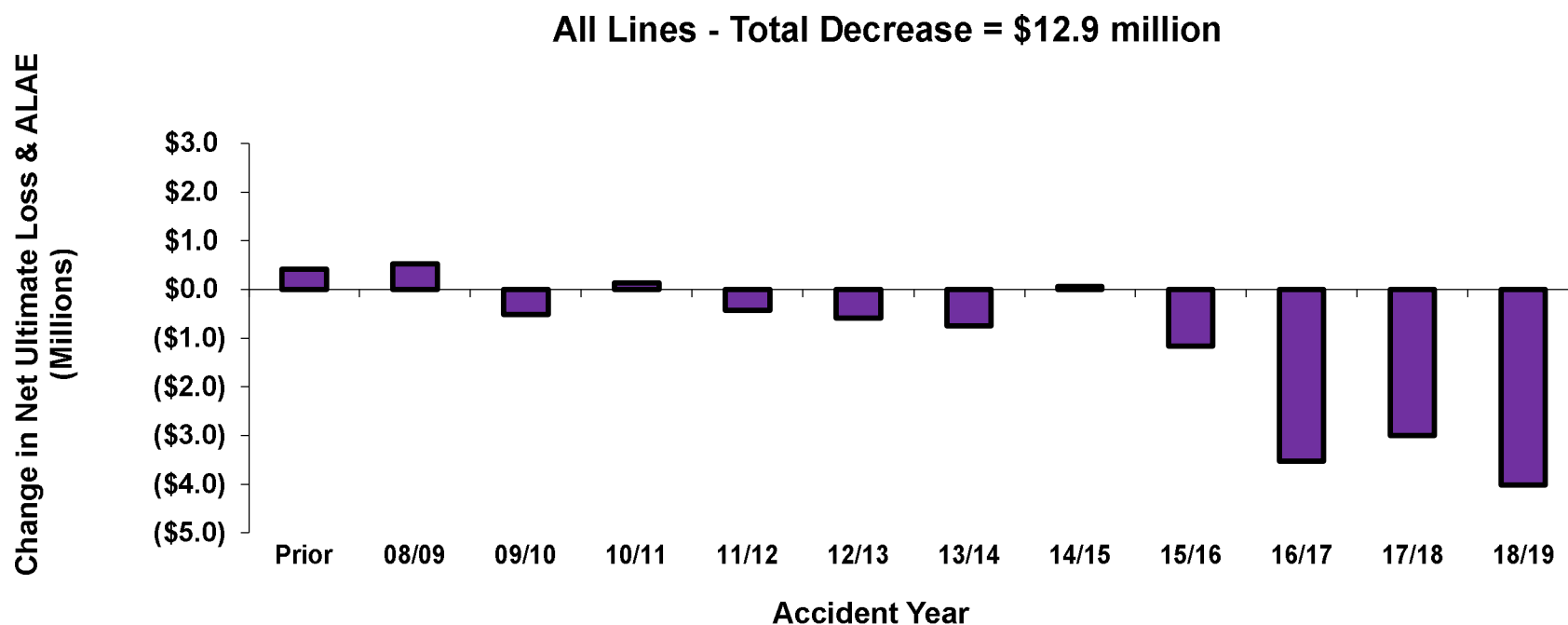


As an accident year ages, IBNR generally decreases and paid losses increase; more uncertainty in recent years' estimates

Total Net Ultimate Loss & ALAE by Component
Central Estimates (\$000s)



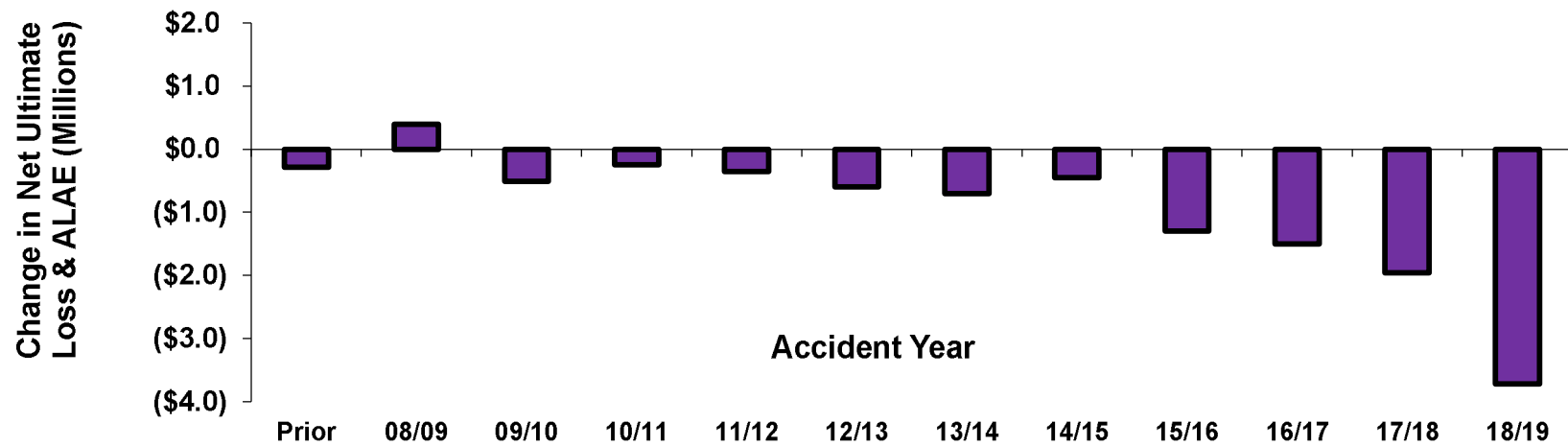
Emergence during fiscal year 2019-2020 was favorable



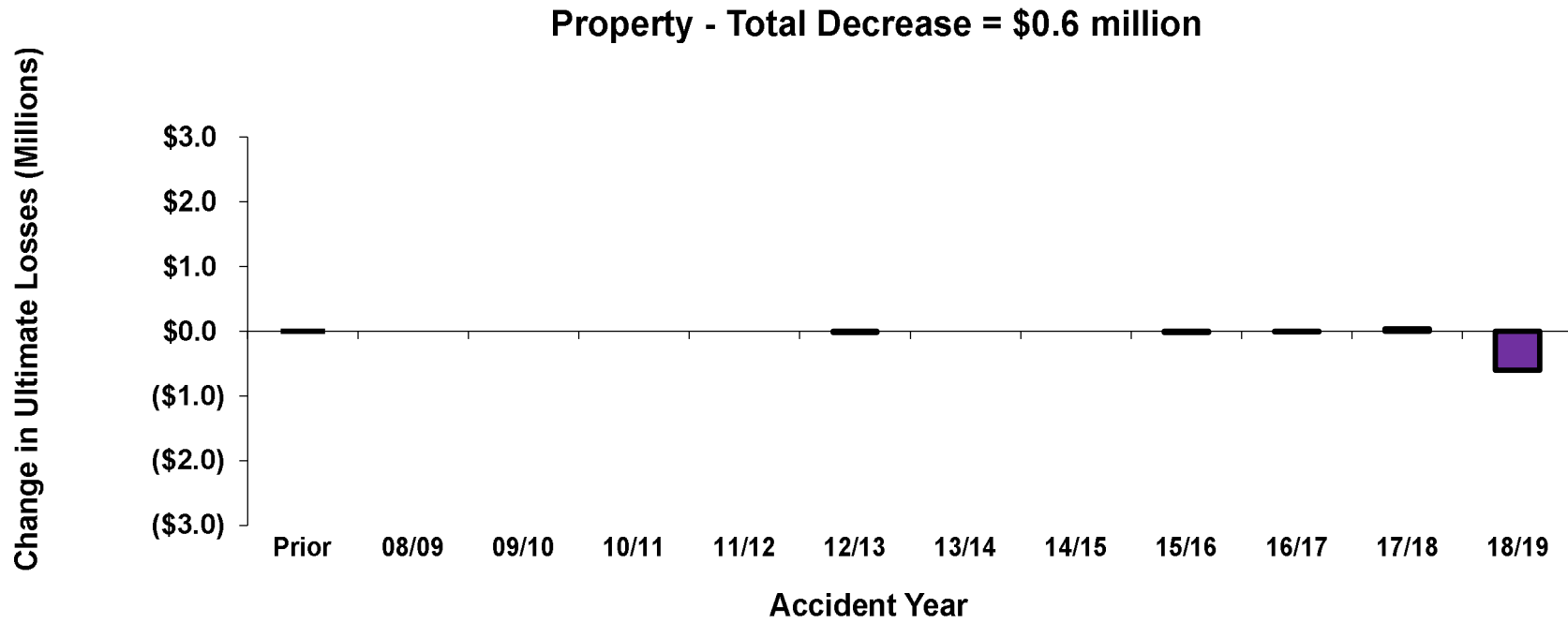
- There is increased uncertainty inherent in our estimates due to COVID-19; potential for:
 - Late reported claims
 - Deterioration of claimant medical condition due to delay of medical care

Workers compensation emergence favorable across nearly all accident years

Workers Compensation - Total Decrease = \$11.2 million

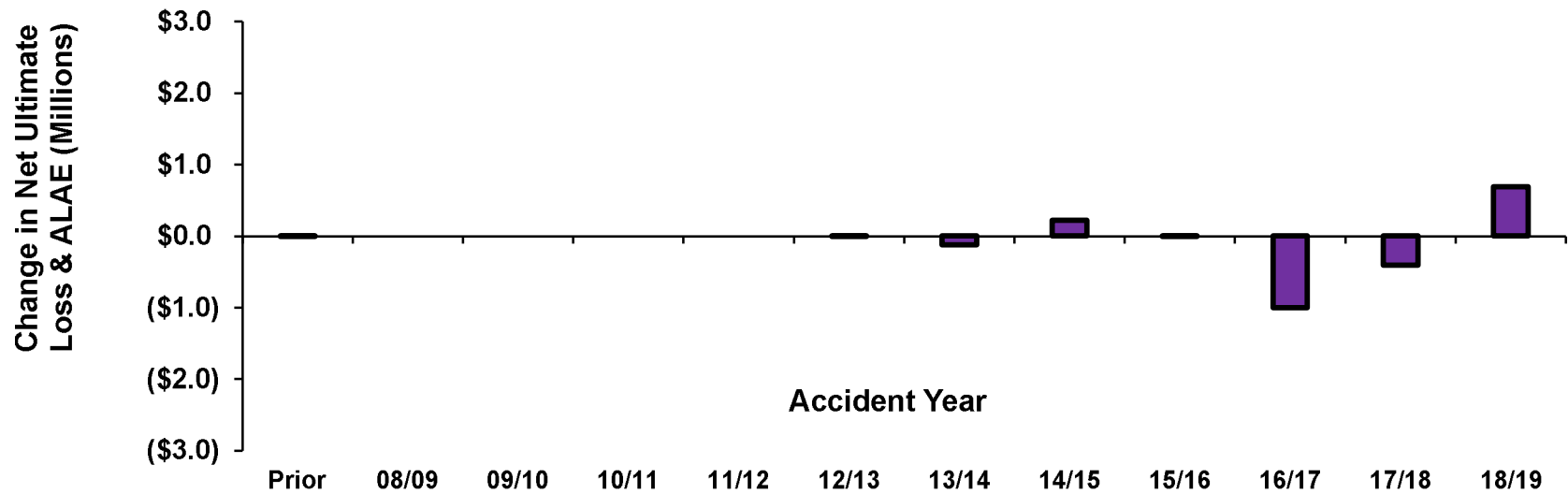


Property Ultimate Loss change since 2019

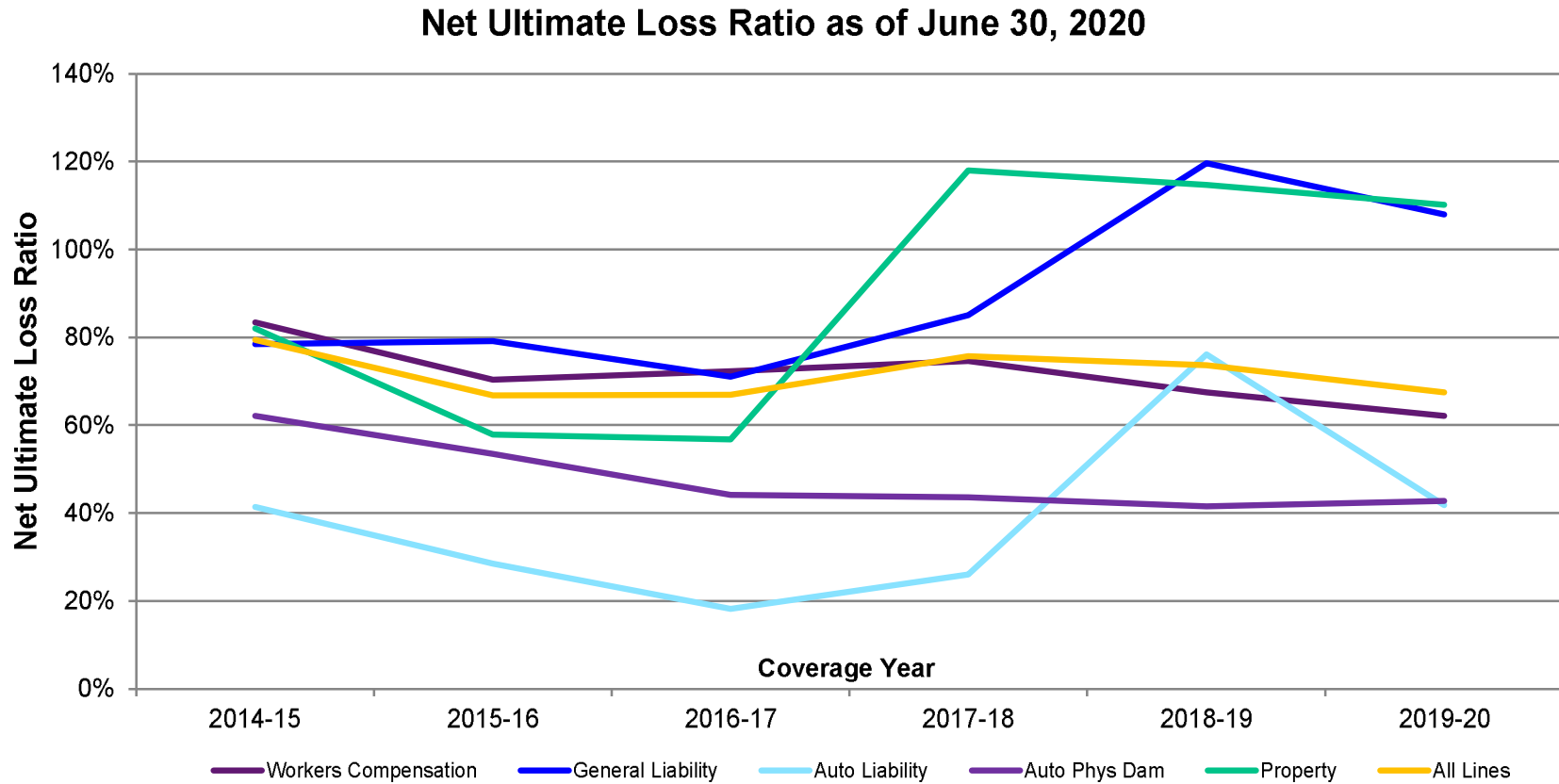


Auto Liability emergence is favorable overall, but has seen some deterioration in the more recent accident years

Auto Liability - Total Decrease = \$0.6 million



The 2019-20 all lines combined net loss and ALAE ratio is consistent with prior years



Unallocated Loss Adjustment Expense Liability

- We use a blend of NJSIG and insurance industry data
- Indicated liabilities at central estimate decreased from \$8.3 to \$8.2 million
- Booked reserves are \$8.7 million (65% confidence level)

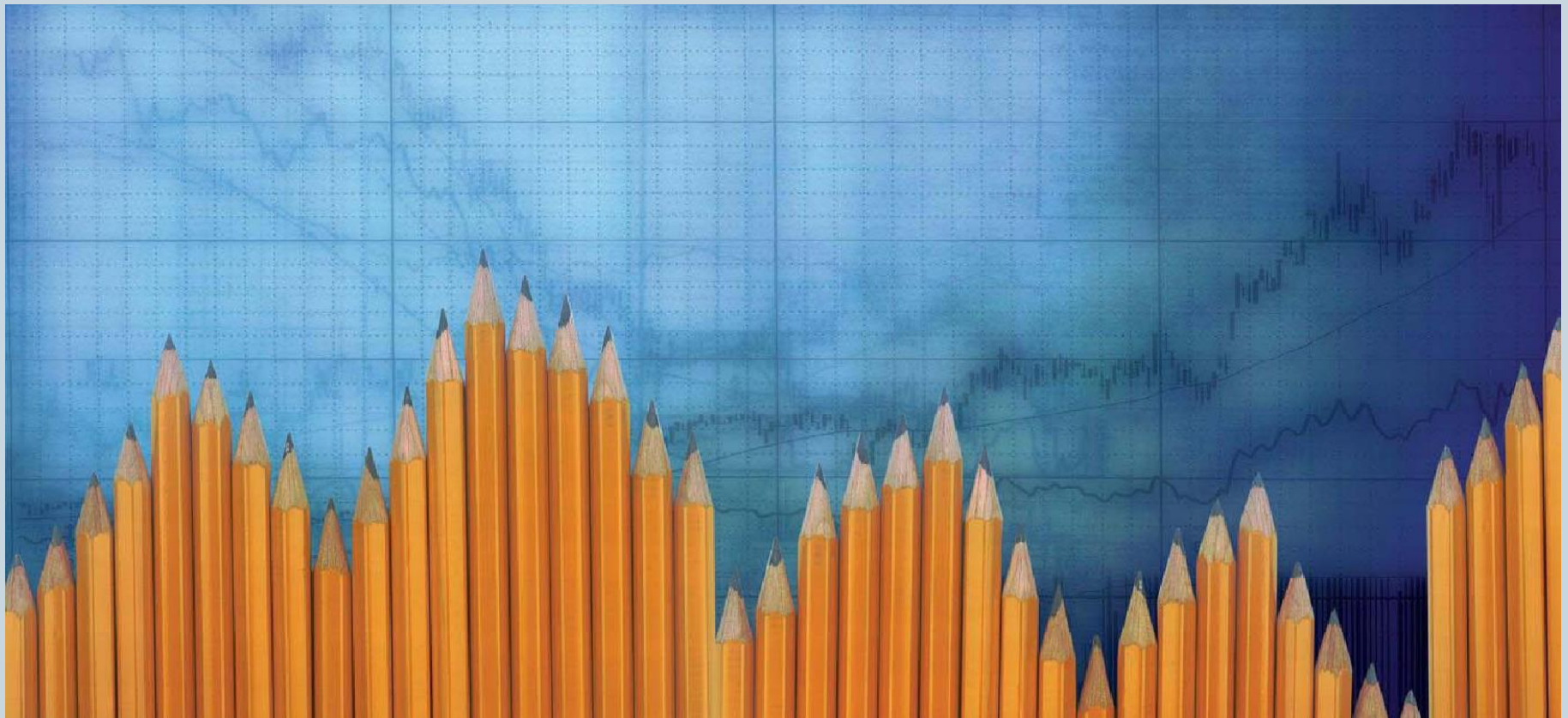
Loss and LAE reserve variability can significantly impact surplus

Impact of Variability on Booked Loss and LAE Reserves and Surplus (\$ Millions)

	Liabilities @6/30/2020	Difference versus Booked	Surplus
Booked*	\$200.0	\$—	\$144.5
Central Estimate	188.9	(11.1)	155.7
65% Percentile	200.0	0	144.5
75% Percentile	209.7	9.7	134.8
90% Percentile	231.2	31.1	113.4

*Booked numbers are preliminary and prior to any safety grant declaration.

Potential Rate Implications for Program Year 2021-22



Preliminary Rate Indications

- The results that follow are based on our June 30, 2020 liability analysis; actual rate indications will be based on data evaluated as of September 30, 2020
- Willis Towers Watson has not performed an in-depth analysis of rates at this point

The July 1, 2021 rate level indication implies lower rates in total driven by workers compensation

Coverage	Initial Expected 2021-22 Rate Change	Direction of 2021-22 Rate Indication from Initial Expected
Workers Compensation	(5)%	Lower
General Liability	3%	Flat
Auto Liability	1.7%	Lower
Auto Physical Damage	0%	Flat
Property	2.4%	Flat
Total	(3.5)%	Lower

Questions and Discussion



Appendix



There is uncertainty inherent in the estimates of unpaid loss and ALAE

- Our estimates are based on historical claim and loss information
- There is no guarantee that estimates will prove to be accurate, and will change with future updates as new data emerges
- Multiple projection techniques (methods and models) are used, which provide various indications of the ultimate loss and LAE
- The confidence levels provided here are not all inclusive
- These estimates are based on NJSIG's historical experience and do not reflect extreme events that have a remote possibility of occurring

There is uncertainty inherent in the estimates of unpaid loss and ALAE (cont)

The inherent uncertainty associated with ultimate loss and LAE estimates is magnified in this case due to the following:

- NJSIG's mix of business is weighted toward coverages such as workers compensation and general liability for which the estimation of unpaid loss is more uncertain than for shorter-tailed property and casualty lines.
- NJSIG has relatively high per occurrence retentions, which increases the uncertainty associated with our liability estimates.
- The geographic (New Jersey) and industry (schools) concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., hurricanes).
- The passage of SAM legislation in New Jersey significantly extends the statute of limitations and may impact loss amounts in ways that are not quantifiable at this time.
- Recent changes in claims handling procedures and coverage determination increase the uncertainty associated with our liability estimates.
- There may be claims related to COVID-19 in the loss data provided to us. Our analysis does not make any adjustments for the impact of the coronavirus, either from a claims standpoint or its effects on economic and legal activity, except insofar as COVID-19 claims are in the loss data and are implicitly analyzed. The level of uncertainty inherent in our conclusions and underlying volatility in potential future outcomes is therefore increased as a result of COVID-19.

Glossary

AL – Automobile liability

ALAE – Allocated loss adjustment expense

APD – Automobile physical damage

Case Reserves – claim value estimate set by adjuster (reported loss – paid loss)

E&O – Errors and omissions

Frequency – Claims per unit of exposure

GL – General Liability

IBNR – Incurred But Not Reported (ultimate loss – reported loss)

LAE – Loss adjustment expense (ALAE + ULAE)

Severity – Average loss per claim

ULAE – Unallocated loss adjustment expense

WC – Workers compensation