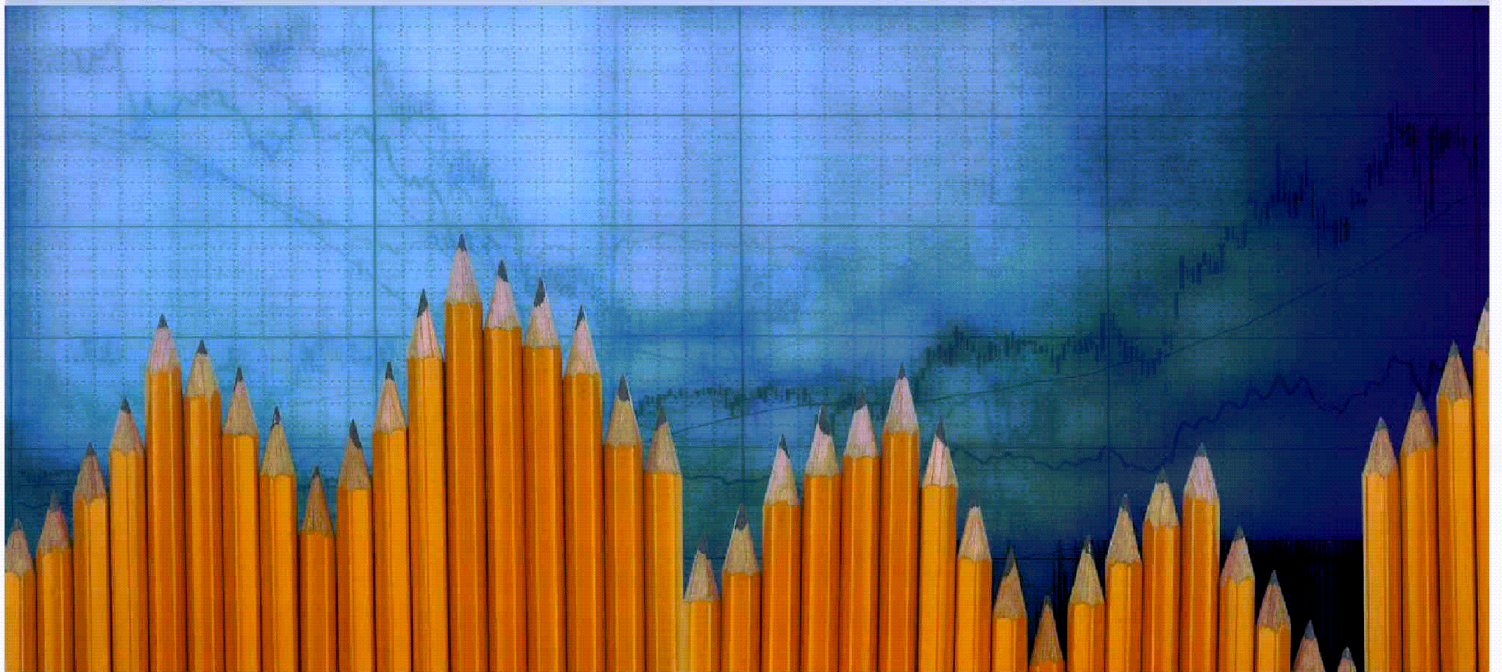



New Jersey School Insurance Group
Board of Directors Meeting

September 21, 2016



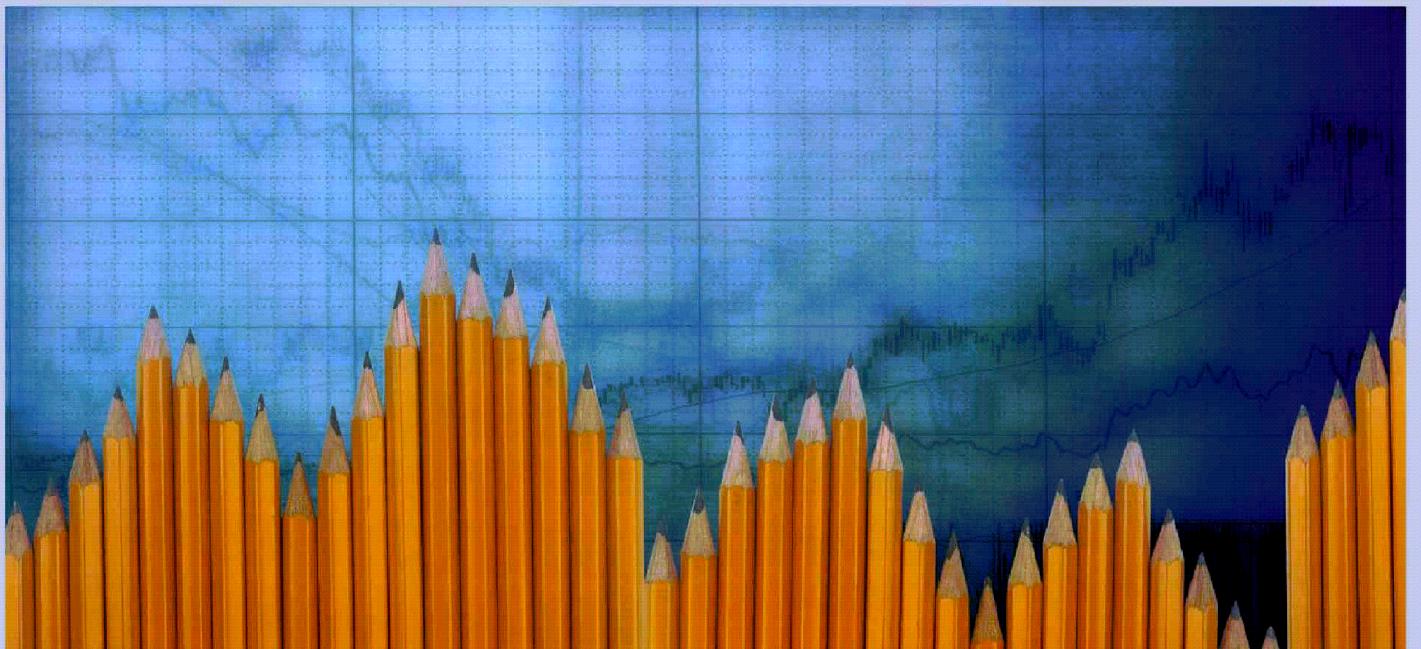
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Willis Towers Watson 

Agenda

- Scope and Distribution
- Indicated Loss & ALAE Liabilities as of June 30, 2016
- Potential Rate Implications for Program Year 2017-18
- Questions
- Appendix

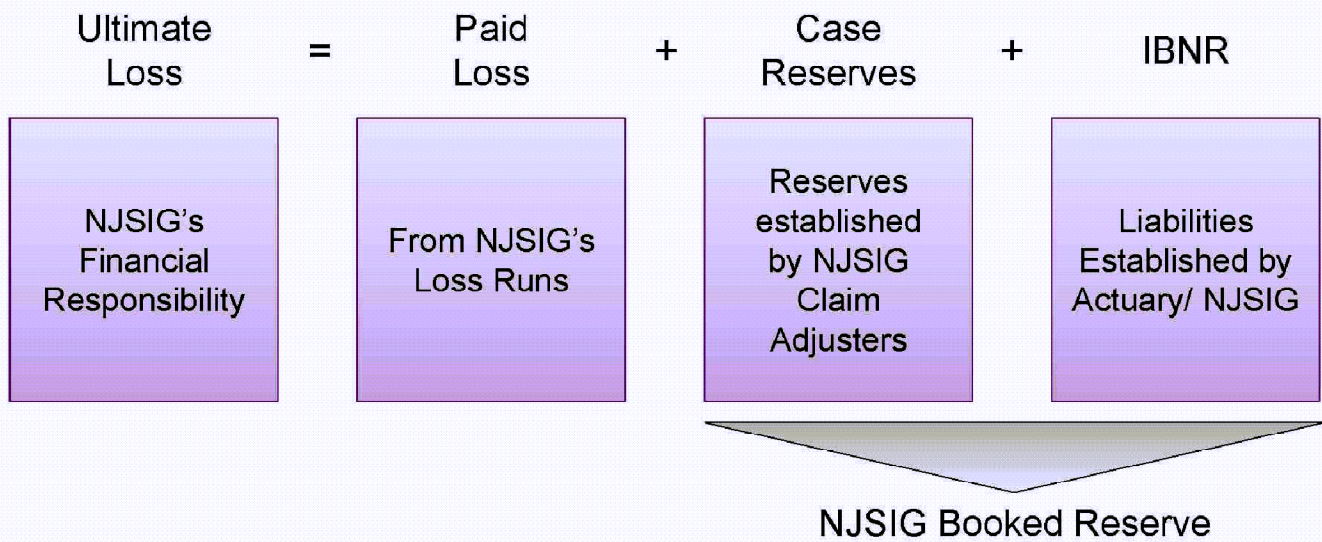
Scope and Distribution



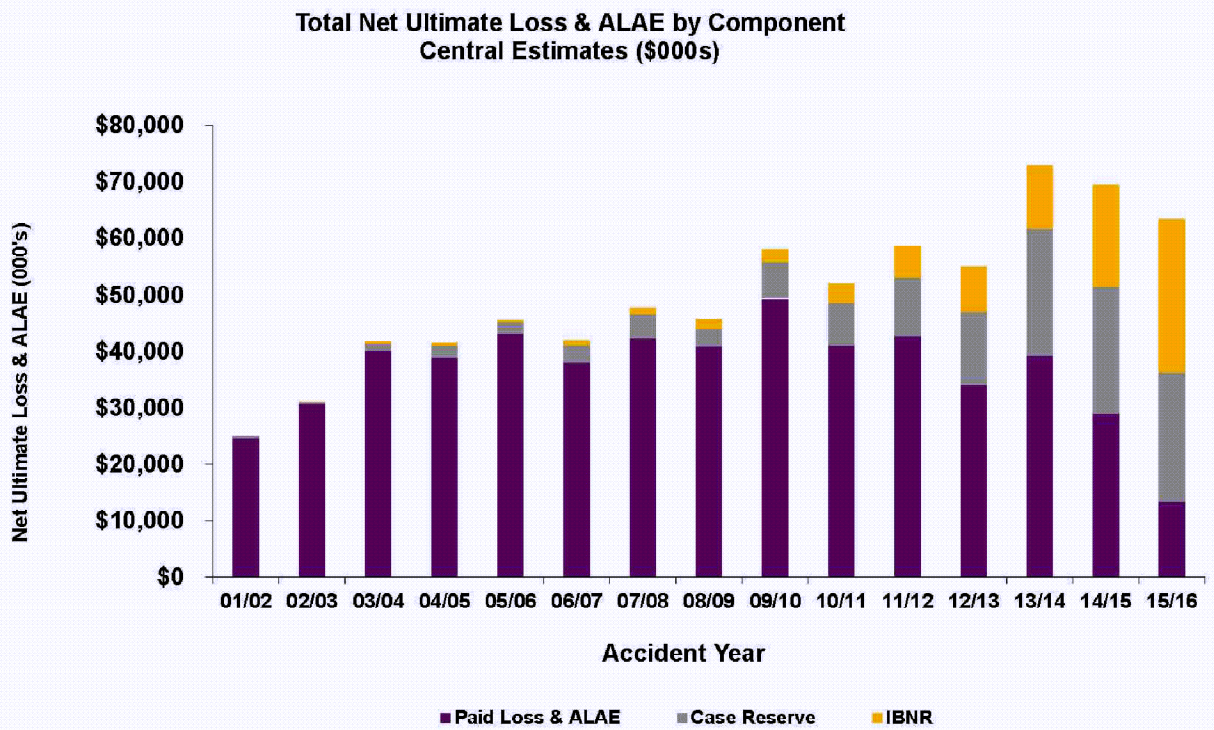
Scope and Distribution

- NJSIG retained Willis Towers Watson to prepare an actuarial analysis of unpaid loss and ALAE as of June 30, 2016
- Willis Towers Watson presented the results of its review in a draft report dated August 4, 2016
- Estimates are produced on a net of reinsurance and salvage/subrogation basis
- 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 and Stacy L.T. Mina are members of the American Academy of Actuaries and meet its qualification standards to render the actuarial opinion contained herein

Components of Ultimate Losses and Liabilities

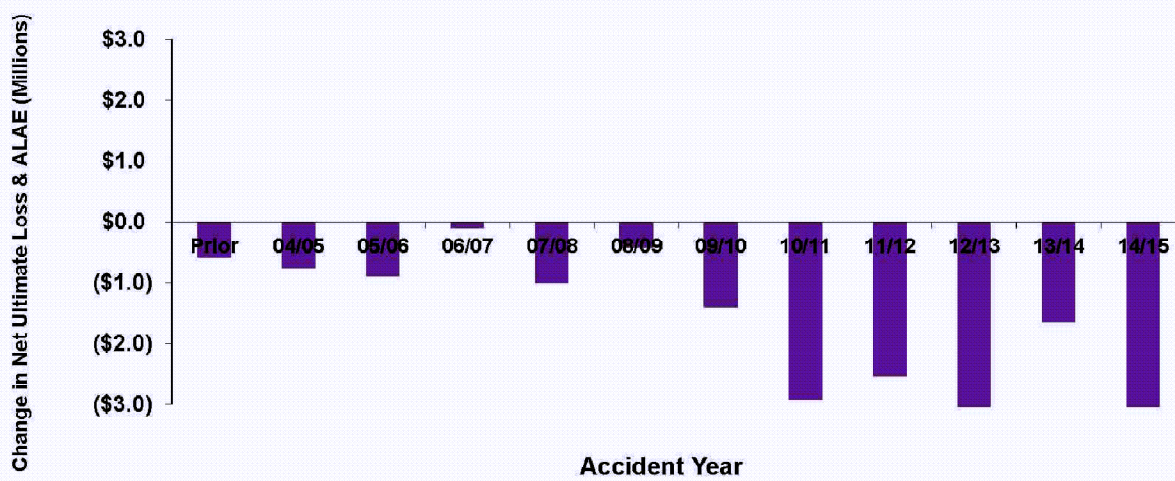


As an accident year ages, IBNR generally decreases and paid losses increase



Emergence during fiscal year 2015-2016 was generally favorable

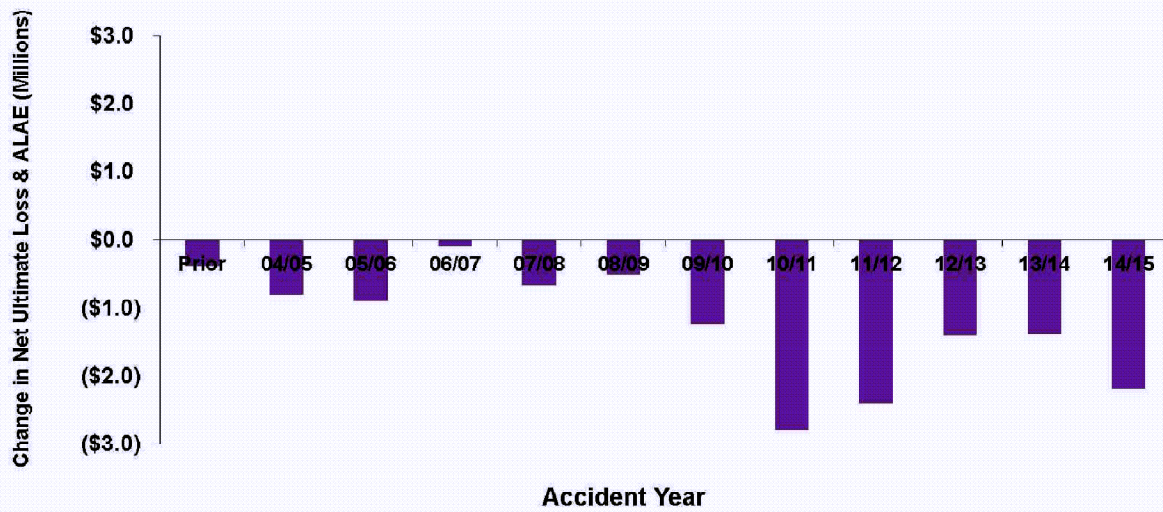
All Lines* - Total Decrease = \$20.0 million



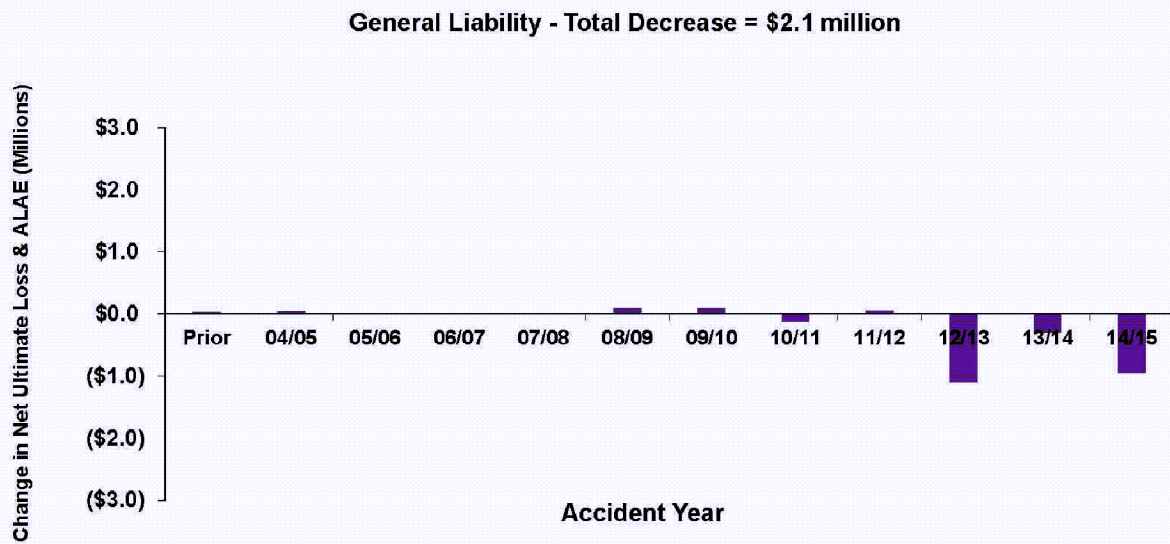
- There was also overall improvement for each coverage

Favorable workers compensation experience is severity-driven

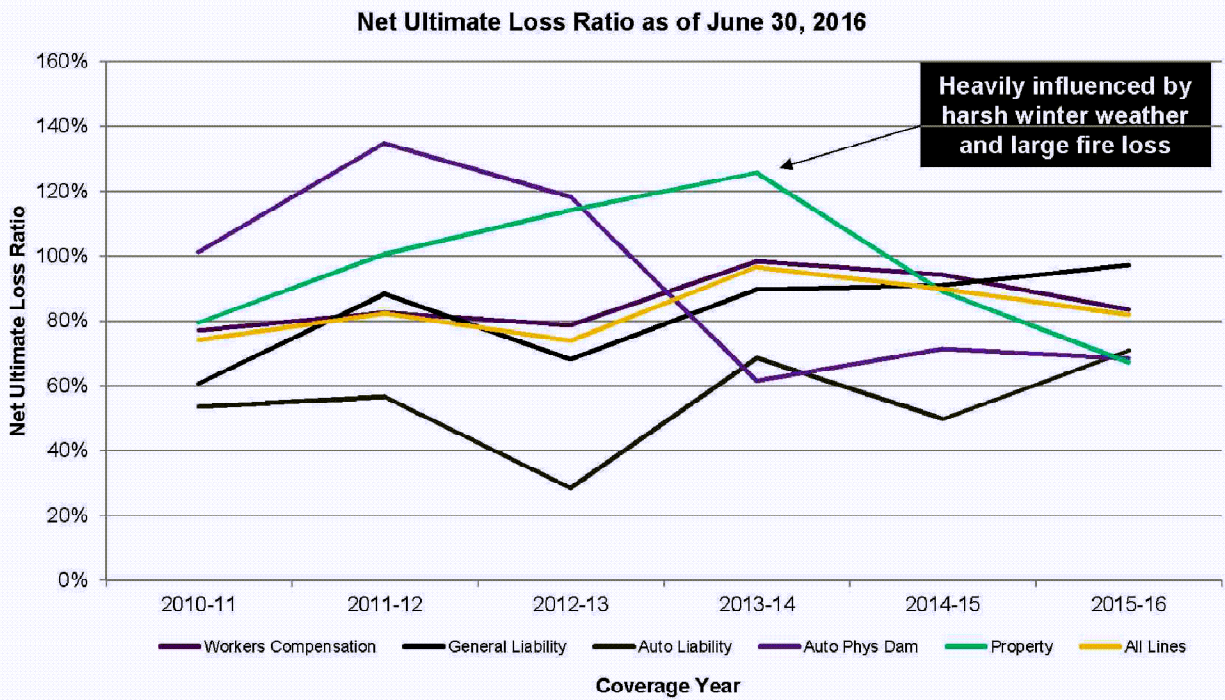
Workers Compensation - Total Decrease = \$14.8 million



General Liability emergence for the most recent years is favorable



The 2015-16 net loss and ALAE ratio is slightly lower than the prior year for most lines



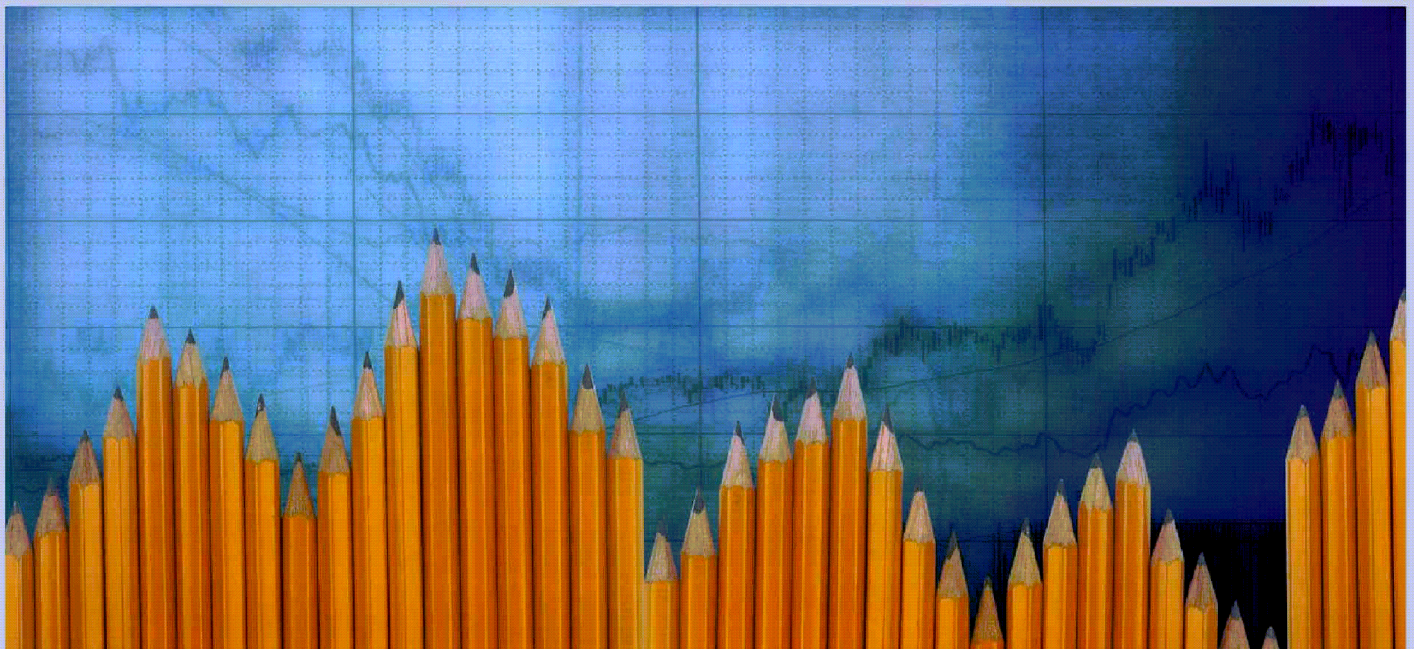
Reserve variability can significantly impact surplus

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

	Liabilities @6/30/2016	Difference versus Booked	Surplus
Booked*	\$217.3	\$—	\$71.2
Central Estimate	205.3	(12.0)	83.2
65% Percentile	217.3	0.0	71.2
75% Percentile	227.8	10.6	60.6
90% Percentile	250.8	33.5	37.7

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

Potential Rate Implications for Program Year 2017-18



Preliminary Rate Indications

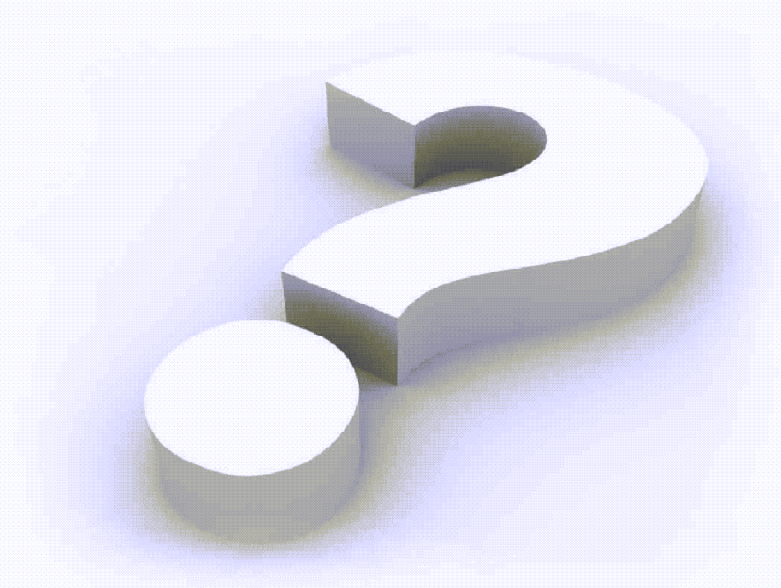
- The results that follow are based on our June 30, 2016 liability analysis; actual rate indications will be based on data evaluated as of September 30, 2016
- Willis Towers Watson has not performed an in-depth analysis of rates at this point

July 1, 2017 Range of Rate Level Indications

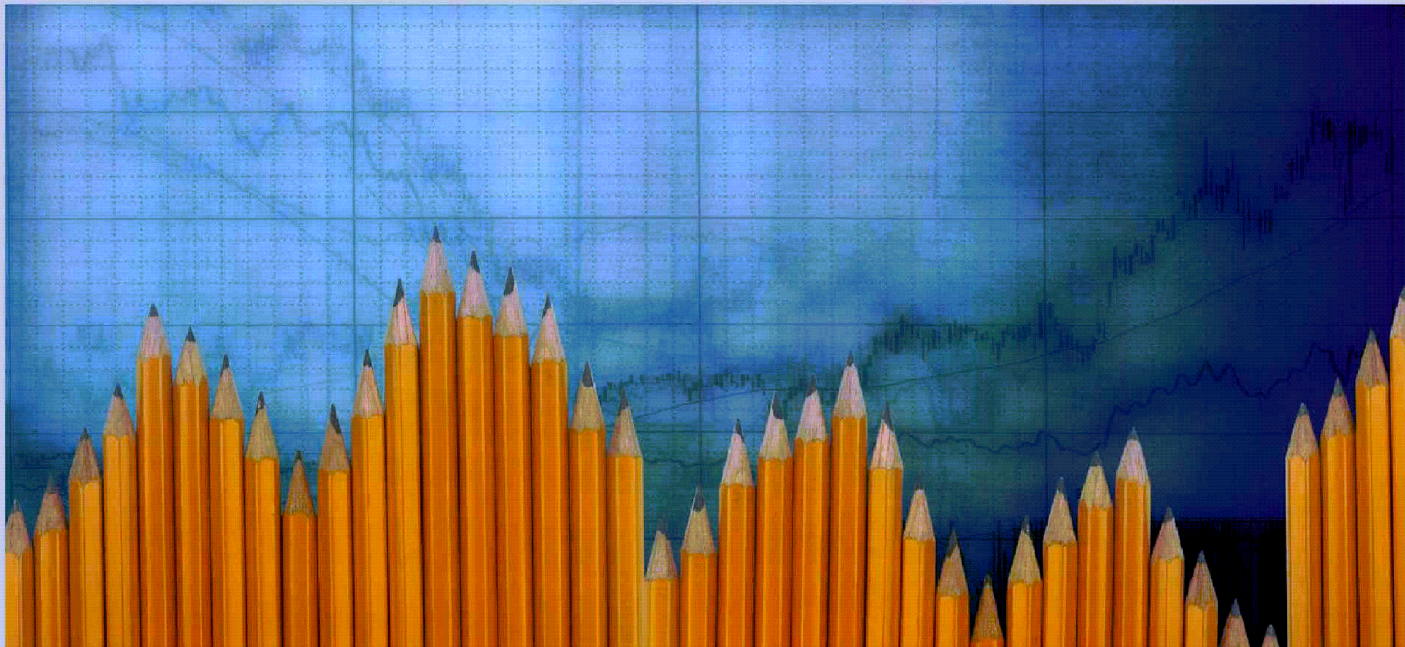
Coverage	Initial Expected 2017-18 Rate Change	Direction of 2017-18 Rate Indication from Initial Expected
Workers Compensation	0.6%	Lower
General Liability	7.5%	Lower
Auto Liability	(21.0)%	Lower
Auto Physical Damage	23.2%	Flat to Lower
Property	-4.4%	Flat to Lower
Total	0.0%	Lower

The most uncertainty relates to Property reinsurance markets

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 ALAE
- 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

The inherent uncertainty associated with ultimate loss and ALAE 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 concentration of NJSIG could cause adverse results due to legislative or judicial changes or catastrophic events (e.g., hurricanes).
- Recent changes in loss emergence, case reserving methodology (especially for WC), claims staffing and economic conditions may produce different patterns of loss development than are anticipated by our analysis.

Glossary

AL – Automobile liability
ALAE – Allocated loss adjustment expense
APD – Automobile physical damage
E&O – Errors and omissions
Frequency – Claims per unit of exposure
GL – General Liability
Severity – Average loss per claim
WC – Workers compensation