



New Jersey Schools Insurance Group
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Board of Trustees Meeting March 23, 2022
Action Item
Rate review for the July 1, 2022-2023 policy year
NJSIG No. 0322-01

Each year NJSIG's actuary, Willis Towers Watson (WTW), evaluates the member contributions necessary to cover NJSIG's retained risk on specified lines of coverage, i.e., NJSIG's self-insured retention (SIR), or the portion of risk that NJSIG holds in-house. WTW indicates the range of contributions they recommend NJSIG should collect from members so as cover the SIR/retained risk on the specified coverages. The coverage extended to members beyond this SIR/retained risk is covered by excess or reinsurance.

In determining the appropriate level of member contributions in the 2022/2023 policy year within the WTW range, I believe it is important to consider the cost of the SIR/retained risk to the membership in conjunction with the cost of excess and reinsurance. As we discussed during the January meeting, as an organization we are facing two primary issues during this renewal: 1) a third consecutive year of double digit rate increases on the property coverage due to widespread hardening of the property excess/reinsurance market; and 2) hardening of the professional and casualty market driven by legislative changes and catastrophic losses.

More specifically, based on what we know from the property reinsurers to date, we can anticipate a 24.43% increase on the property reinsurance. The cost of reinsurance forms approximately 70.5% of our overall blended property rate. The other approximately 29.5% of our blended property rate comes from NJSIG's SIR.

Following our January Board meeting, we met with our excess/reinsurance providers on the general liability (GL) and auto liability (AL) lines. The GL/AL excess reinsurers indicate a 6.53% increase. They are attributing these increases to member experience, uncertainty surrounding COVID-19 claims and continued concern regarding legislation that amended the Tort Claims Act with regard to sexual assault claims. Reinsurance forms approximately 25% of our overall blended GL rate.

Reinsurance forms approximately 50% of our overall blended AL rate. Finally, our WC reinsurer has also indicated an anticipated increase of 5.53%, although reinsurance cost makes up a much smaller portion of the overall blended WC rate (approximately 2.66%).

These projected reinsurance increases must be balanced against the long-term goal of the organization to keep NJSIG's rates as cost-effective and stable as possible, with the least amount of volatility. However, we also need to stay within the range deemed to be reasonable by NJSIG's actuaries, to avoid having to impose assessments on our members in the future.

Accordingly, in an effort to address these issues, I requested that NJSIG's actuaries prepare proposed rate guidance on NJSIG's SIR/retained risk. I recommend that the Board adopt the following rates on NJSIG's SIR/retained risk, which are all well within the ranges identified as reasonable by our actuaries:

Workers' compensation: 3.07%

General liability: 9.45%

Automobile liability: -6.56%

Automobile physical damage: 5.50%

Property: 0.00%

Crime: -11.40%

These changes combine to an overall increase of 3.0% for all of the above coverages combined for NJSIG's SIR/retained risk.

This overall change falls within the reasonable range from the WTW actuarial report that was presented at today's (March 22, 2022) Board meeting. NJSIG's actuaries have opined that they believe that this proposed rate change is reasonable. If implemented, this guidance would help to offset significant increases in the reinsurance rates, as outlined above. When combined with our current best estimates for reinsurance at this time, these changes would result in an overall increase in premium of approximately +6.59%.

Recommended Resolution: Approve the Willis Towers Watson rate review for the July 1, 2022/2023 policy year report dated March 21, 2022, and the rates contained therein.