



New Jersey Schools Insurance Group
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Board of Trustees Meeting of March 20, 2019 Executive Director's Report

As I write this report, reinsurance renewal results are being received. As we know from the past, NJSIG's diligence in preparing budgets and prospective pricing is predictably insufficient against the forces of regulatory changes, macro-level marketplace changes and the costs of claim adjudication. The problem can be amplified when two or more of those outside forces come into play simultaneously. That is a key reason adequate surplus is so important to an organization where fortuitous loss is the primary determinant of the cost of doing business.

At the November 28, 2018 Board of Trustees meeting, we recommended a resolution to approve a 3% rate increase effective with July, 2019 renewal for all lines of coverage (excluding E&O). The recommendation was based on the actuary's loss forecast and NJSIG's preliminary operating budget. The 3% rate increase inherently assumes little or no change in reinsurance costs. After reinsurance renewal results are known, we will ask you to approve final rates for the upcoming year.

As the reinsurance renewal outcome unfolds we now know that the markets are in flux. Two of our key reinsurers were acquired by other companies and are now subject to amended business plans. Most reinsurers have experienced changes from their own reinsurance carriers effective in January. Many have been negatively affected by disaster losses from wildfire and hurricane. Although NJSIG members were not directly affected by wildfire and hurricane, our reinsurers were. In certain lines of insurance we are seeing deterioration in loss development and upward claim reserve changes in the latest analyses. Combined, the emerging changes promise to make the 2019 renewal very challenging.

NJSIG is well-positioned to meet these challenges with adequate surplus to blunt the reinsurance price increases. The staff members recently elevated to managerial responsibilities embrace the challenges presented. They are looking into alternatives and solutions to the current issues with a long-range orientation, not just a quick-fix.

In summary, NJSIG is financially prepared and organizationally capable to meet the challenges of this renewal without undue disruption the membership.
Respectfully Submitted,

William M. Mayo, CPCU, ARM
Executive Director