



New Jersey Schools Insurance Group
6000 Midlantic Drive, Suite 300 North
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www.njsig.org

Board of Trustees Meeting March 17, 2021
Action Item
Rate review for the July 1, 2021-2022 policy year

NJSIG No. 0321-01

Each year NJSIG's actuary, Willis Towers Watson, 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. Willis Tower Watson 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 2021/2022 policy year within the Willis Towers Watson 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 second consecutive year of double digit rate increases on the property coverage this renewal due to widespread hardening of the property excess/reinsurance market; and, 2) hardening of the professional and casualty market driven by recent legislative changes and catastrophic losses.

More specifically, based on what we know from the property reinsurers to date, we can anticipate a 19% increase on the property reinsurance. The cost of reinsurance forms approximately 68% of our overall blended property rate. The other approximately 32% 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 15% increase on their retentions.



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They are attributing these increases to member experience, uncertainty surrounding COVID-19 claims and continued concern regarding the sexual abuse reviver statute. Reinsurance forms approximately 16% of our overall blended GL rate. Reinsurance forms approximately 32% of our overall blended AL rate. Finally, our WC reinsurer has also indicated an anticipated increase of 4.5%, although reinsurance cost makes up a much smaller portion of the overall blended WC rate (approximately 2.25%).

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 actuary, 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: -4.8%

General liability: +.6%

Automobile liability: -18.8%

Automobile property damage: +26.9%

Property: +3.9%

Crime: -58.8%

These changes combine to a -4.3% for all of the above coverages combined for NJSIG's SIR/retained risk.



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This overall change falls within the reasonable range from the Willis Towers Watson actuarial report that was presented to you. NJSIG's actuary has opined that they believe that this proposed rate change is reasonable. If implemented, this guidance would reduce overall rates on the workers' compensation line of coverage; offset significant increases in the reinsurance rates, as outlined above; and provide an overall rate reduction on NJSIG's SIR/retained risk, with all lines combined. Furthermore, when combined with our current best estimates for reinsurance at this time, these changes would result in an overall increase in premium of approximately +1.07%.

Recommended Resolution (NJSIG No. 0321-1): Approve the Willis Towers Watson rate review for the July 1, 2021/2022 policy year report dated March 12, 2021, and the rates contained therein, including increasing NJSIG's self-insured retention for the general liability and automobile liability to \$1,000,000 for the 2021/2022 policy year. The Executive Director is also authorized to implement a communicable disease sub-limit of \$1,000,000 per occurrence, with a pool-wide annual aggregate of \$9,000,000 on the general liability, automobile liability and school board leader liability.

Jill Deitch, Esq.
Executive Director