



New Jersey Schools Insurance Group
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Board of Trustees Meeting March 23, 2022
Action Item
Cyber rate review for the July 1, 2022-2023 policy year
NJSIG No. 0322-08

This year, for the first time, NJSIG's actuary, Willis Towers Watson (WTW), performed a rate level analysis for the cyber liability line of coverage. Up until now, this line of coverage was a 100% pass-through coverage. It was a group purchase on behalf of all members of the pool, and NJSIG retained no risk on this line of coverage. However, a challenging cyber market, as well as the variability of the cyber security controls in place at NJSIG member schools, has made it difficult to obtain group coverage with a more reasonable deductible.

As such, I requested that WTW perform an analysis of what member contributions would be necessary for NJSIG to retain \$500,000 per claim in risk per cyber claim. As they do on our general rate review, WTW indicates the range of contributions they recommend NJSIG should collect from members in order to cover the SIR/retained risk on the cyber line of coverage. The coverage extended to members beyond this SIR/retained risk would be covered by commercial insurance.

NJSIG and the commercial insurance carrier would then be able to offer members with minimum cyber security controls more advantageous coverage, such as a reduced deductible and/or an increased limit. 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.

Accordingly, I requested that NJSIG's actuaries prepare proposed rate guidance on NJSIG's SIR/retained risk for cyber coverage. That rate guidance is contained in the WTW cyber rate review for the July 1, 2022/2023 policy year report dated January 6, 2022, which was presented at today's (March 22, 2022) Board meeting. NJSIG's actuaries have opined that they believe that the proposed rates contained in their report are reasonable. If implemented, this rate guidance would for the first time create a cyber

self-insured retention. Specifically, it would create a \$500,000 per claim self-insured retention for the cyber liability line of coverage for the 2022/2023 policy year

Recommended Resolution: Approve the Willis Towers Watson cyber rate review for the July 1, 2022/2023 policy year report dated January 6, 2022, and the rates contained therein, including the creation of a NJSIG self-insured retention for the cyber liability line of coverage at \$500,000 per claim for the 2022/2023 policy year. The Executive Director is also authorized to take all steps necessary to implement a self-insured retention for the cyber liability line of coverage, as well as to secure the necessary commercial insurance to insure the remainder of the risk on this line of coverage in excess of the self-insured retention, subject to the approval of the final cyber program structure by the Board of Trustees at the May 18, 2022 meeting of the Board of Trustees.