



New Jersey Schools Insurance Group
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Board of Trustees Meeting of January 26, 2022 Executive Director Report

NJSIG is currently in the midst of obtaining quotes for reinsurance and excess insurance for the 2022/2023 policy year. Alliant, NJSIG's current insurance broker, has indicated that the market for reinsurance and excess insurance continues to "harden," which is a term of art in the insurance industry that generally means insurance rates are increasing, and available insurance capacity is decreasing. As such, like last year, I have directed Alliant to aggressively market NJSIG's lines of business to a variety of reinsurance and excess markets to make sure we get the coverage our members need at acceptable rates.

NJSIG is mindful that members must anticipate their budgeted insurance costs by the middle of March each year, and that members expect pricing stability and predictability. In our marketing efforts to reinsurers and excess insurers, we are emphasizing that significant pricing volatility is not acceptable to NJSIG members, and if it occurs, members will expect us to explore alternative options for coverage and risk transfer.

To this end, we met remotely with several London and Bermuda based property excess and reinsurance carriers last week to market NJSIG's program. I have found these meetings provide significant value, since they help to maintain relationships that can potentially make a difference in terms of rates. These meetings also give us an opportunity to highlight our strengths as an organization.

The feedback from the property markets has generally been that we will be facing an increase. Weather events this year have caused significant losses nationwide. Insurers generally use a computerized process called catastrophe modeling that simulates potential catastrophe events and estimates the amount of loss due to the events. The freeze that occurred in Texas last February was not anticipated by the historical models and caused billions in unanticipated damages. Similarly, the "tornado outbreak" that hit the Midwest in 2021, also caused billions in unanticipated damages. We hold \$1 million in-house, on the self-insured retention, on the property line – the rest (up to the \$500

million in limits that we offer) is reinsured. Given the indications we have so far, I expect property rates to increase this year.

In the next few weeks, we will be meeting with casualty reinsurers/excess carriers to secure pricing on our other lines: general liability (GL), school board leader liability/errors and omissions (SBLL/E&O), auto liability (AL), and workers' compensation (WC).

Last week we met with our sub-fund administrators virtually, for our third annual sub-fund administrator's meeting. We discussed our strategy for the upcoming renewal season, including the challenges of cyber liability coverage and the impact of COVID-19 on the workers' compensation line of coverage. I advised the sub-fund administrators that I will be directly supervising the Loss Control and Client Relations department in light of Deb Rice's retirement. I requested that they reach out to me if they have any feedback with respect to the delivery of member services.

The insurance coverage for the NJSIG Board of Trustees and for our internal operations renews in January; those renewals have been completed with help from Alliant.

We sent out a survey in December to solicit feedback from the brokers and the members about what cyber security measures would be reasonable to put in place by 7/1/2022. The response overwhelmingly indicated that members and brokers understand that minimum cyber security controls are necessary to the viability of a cyber liability program. Both groups responded that multifactor authentication, end point detection, and active employee training were reasonable security controls to have in place by 7/1/2022. Both groups agreed that comprehensive protocols on backups and testing of backups might be difficult to implement by 7/1/2022. The members who responded were split on whether NJSIG should take on a self-insured retention on cyber (i.e., take some risk on in-house), and brokers were generally in favor of NJSIG taking it on. The only caveat to these results is that only approximately 30% of people who received the survey responded.

We are continuing to explore bringing some risk in-house on the cyber liability line, and our actuaries have been issued a first draft report. Early indications are that we will likely be able to put a program together that addresses some of the concerns about the very high deductible on this year's cyber program imposed by the incumbent cyber liability carrier. We envision the program including at least two deductibles: a lower deductible for members who have the minimum cyber security controls in place, and a higher deductible for members who do not have the minimum cyber security controls. We are also considering tiered deductibles based on the members' annual budget. Preliminarily,

we are also thinking it makes more sense to make the determination as to which deductible applied at the time of the breach, not when the members are filling out applications. This would have the advantage of avoiding issues associated with incorrect statements about cyber security controls in applications, while also giving members an incentive to upgrade their cyber security controls as soon as possible. The cyber price is likely to increase from where we are now, as we fill in this retention, but we believe it will be delivering the coverage our members need. We have a meeting next week to discuss the possible details.

We are looking at March 8th, 9th or 10th for the annual virtual broker meeting. We think having this meeting virtually works best with the ongoing COVID-19 pandemic. Also, we have brokers all over the state, and this way they do not have to travel, and we do not have to be concerned about the weather.

As you all know, in September 2021, the Board voted to perform an initial member refund of 10% of net contributions for the workers' compensation fund for the 338 days of the 2020/2021 fiscal year that the public health emergency was in effect. If this is approved by the Department of Banking and Insurance (DOBI), the average member refund would be roughly double our prior COVID-19 refund for the 2019/2020 fiscal year. School board insurance group regulations (N.J.A.C. 11:15-4.21) preclude refunds from being issued until at least twenty-four months have elapsed from the end of the fiscal year. So, we have to get affirmative permission from DOBI before we can return these funds. We forwarded our request to DOBI at the end of December; I have not received a response to date. We will not be able to start issuing these refunds until we get approval from DOBI. If and when we do, we hope that members will be able to request a check, or request a credit on a future invoice, by about May 2022. I will let you know when I hear from DOBI.

In addition, the Association of Governmental Risk Pools (AGRiP) annual Governance Conference will take place on March 6 through March 9 in New Orleans. I have attached an overview of the conference. The goal of this conference as stated by AGRiP is to “allow[] pool governing body members and senior management to problem-solve and collaborate in a pool-focused environment.” This conference is educational in nature, and attendees choose from a range of educational sessions focused on governance, leadership and timely industry topics. If any Trustees are interested in attending, please let me know.

Finally, former Trustee Steve Robinson retired from his employment with the Livingston Board of Education, and resigned as a Trustee of NJSIG, effective December 31, 2021. In accordance with NJSIG Bylaw Article V(A)(2)(b), the New Jersey Association of School Business Officials (NJASBO) has nominated Damaris

Gurowsky, School Business Administrator for the Denville Public Schools, to serve as our northern Business Administrator Trustee. I have invited her to join us at our January meeting. If her nomination is confirmed, she would serve out the remainder of the original three-year term, starting at our next meeting, March 23, 2022, and ending on June 30, 2024.

Respectfully Submitted,

Jill Deitch, Esq.
Executive Director
New Jersey Schools Insurance Group