



New Jersey Schools Insurance Group
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Board of Trustees Meeting March 9, 2020
Action Item
Rate review for the July 1, 2020-2021 policy year

Each year NJSIG's actuary, Willis Towers Watson, evaluates the Member contributions necessary to cover NJSIG's retained risk on specified lines of coverage. Willis Tower Watson indicates the range of contributions they recommend NJSIG should collect from members so as cover the retained risk on the specified coverages. The coverage extended to members beyond this retained risk is covered by excess or reinsurance.

In determining the appropriate level of member contributions in the 2020/2021 policy year within the Willis Towers Watson range, I believe it is important to consider the cost of the retained risk to the membership in conjunction with the cost of excess and reinsurance. As we discussed during the January 15, 2020 meeting, as an organization we are facing two primary issues during this renewal: 1) 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.

These issues must be balanced against the longer term goal of the organization to push NJSIG's longer term rates down so as to provide the best value to the membership while staying within the reasonable range provided by NJSIG's actuary. Accordingly, in an effort to address these issues, I requested that NJSIG's actuary prepare proposed rate guidance that attempts to address all of the above. The guidance NJSIG's actuary has provided is as follows:

Workers' compensation: -6.4%

General liability: +24.2%

Automobile liability: -30.7%

Automobile property damage: -27.2%

Property -4.8%

These changes combine to a -5.5% for all of the above coverages combined for NJSIG's retained risk. When the general liability, automobile liability and automobile property damage changes are combined, they have a 0% year over year rate impact on NJSIG's retained risk portion.

This overall change falls within the reasonable range from the Willis Towers Watson actuarial report that was presented to you at the November 18, 2019 Board of Trustees meeting. NJSIG's actuary has opined that they believe that this proposed rate change is reasonable. If implemented, this guidance would: 1) reduce overall rates on the workers' compensation line of coverage; 2) address the general liability line of coverage rate without resulting in an untenable aggregate rate increase as many general liability members also participate in the auto liability and auto physical damage lines of coverage; and, 3) provide for a rate reduction on the property line of coverage retained risk that will operate to ameliorate the significant rate increase on the property line of coverage reinsurance.

Recommended Resolution: Approve the Willis Towers Watson rate review for the July 1, 2020-2021 policy year report dated November 8, 2019, and the rates contained in Summary Exhibit B dated February 18, 2020.

Jill Deitch, Esq.
Executive Director