

**NEW JERSEY COUNTIES EXCESS LIABILITY JOINT INSURANCE FUND**

9 Campus Drive, Suite 216  
Parsippany, NJ 07054  
Telephone (201) 881-7632

**BULLETIN NJCE 19-02**

**Date:** January 1, 2019  
**To:** Fund Commissioners of the NJCE  
**From:** Underwriting Manager, Conner Strong & Buckelew  
**Re:** 2019 Property and Casualty Renewal Overview

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Attached is an overview of the 2019 NJCE JIF excess property and casualty renewal.

Please contact your Executive Director, Risk Manager or MEL Underwriting Manager if you have any questions.

**This bulletin is for information purposes only. It is not intended to be all-inclusive, but merely an overview. It does not alter, amend or change your coverage. Please refer to specific policies for limits, terms, conditions and exclusions.**

cc: Executive Directors  
Professionals  
Risk Management Consultants

## Executive Summary

The Underwriting Manager's team is pleased to present the NJCE's Confirmation of Insurance for the 2019 year. We value your business and appreciate the confidence you have placed in Conner Strong & Buckelew over the years and look forward to working with you during 2019.

In our pre-renewal planning meeting we discussed a number of goals to address regarding your **Error! Reference source not found.** renewal aside from obtaining favorable renewal terms from our incumbent markets. The goals were as follows:

### Property

- Review deductible options
- Contract NJCE TPA for \$150k x \$100k layer

### Pollution

- Gauge market interest of renewing program

### Cyber

- Extend cyber coverage to members that don't currently purchase

## **Property**

After experiencing one of the most volatile years for natural disasters in history in 2017, leading to price hardening across industries, the property market settled down in 2018. Results varied by industry, but increases on renewal placements leveled out as 2018 ran its course.

As had been discussed during each of the last two renewals, the primary focus of this year's renewal with your incumbent market, Zurich, was increasing the program's deductible from \$100,000 to \$250,000. The increase in deductible came at an appropriate time, as losses within the program continue to build in terms of severity, continuing a steady trend witnessed over the last four years. Zurich sought a rate increase in addition to the higher deductible, with preliminary negotiations sighting a 5% or greater hike. Ultimately, Zurich agreed to the higher deductible at a 1% increase over the expiring rate.

On the excess property and flood layers, the overall rate increase was 3% and 6%, respectively.

## **Casualty**

Another renewal sees Brit, your primary insurer, offer strong terms in the face of large increases in exposure across the entire program. Brit offered a flat premium over expiring, with a slight increase in rate, around 1%, due to the increase in exposure. Brit continues to play a vital role in the program, as they are also involved with the NJCE's workers' compensation buffer layer and excess cyber placements for Camden and Gloucester Commissions.

Argonaut Insurance Company, the NJCE's carrier on the layer above Brit's, provided a flat renewal, with terms and conditions remaining as expiring. 2019 will mark Argonaut's second year working with the NJCE.

## **Workers' Compensation**

Brit, your incumbent carrier on the workers' compensation buffer layer, offered a flat renewal for the 2019 year. In addition to the NJCE's workers' compensation buffer layer, Brit also provides coverage for Camden County Department of Police Services' workers' compensation buffer layer.

Safety National, the incumbent excess insurer, has continued to be a strong partner for the NJCE. Coming off the second year of a two-year agreement, Safety offered renewal terms with one and two-year options. In the end, the NJCE chose to bind the two-year option, which carries a 3% rate decrease against the expiring term.

## **Pollution**

The NJCE's pollution program is coming off a three-year policy term, running from 01/01/2016 to 01/01/2019. The incumbent carrier, Zurich, witnessed an increase in claims activity on the account at the tail end of 2018, with at least two claim events taking place that our internal claims team anticipates will feature hefty payouts. These loss events took the renewal from an initially flat result to Zurich asking for a 20% increase over expiring. Zurich eventually offered renewal terms



at a 16% increase, while cutting back sublimits for mold coverage (\$2m sublimit for 2019 versus \$10m for the expiring term) and perfluorinated chemicals (PFCs) (\$1m sublimit for 2019 versus \$10m for the expiring term). Another important note is that loss events arising from PFCs are excluded for all fire training facilities.

Allianz provided a quote to compete with Zurich's, but Zurich ultimately won the business due to a more competitive quote and the long-term relationship already in place with the NJCE.

### **Non-Owned Aircraft Liability**

Endurance (W. Brown), incumbent, offered a 5% increase for the 2019 year. The increase is due to the hardening of the aviation insurance market, driven heavily by the uptick in severe natural disaster events – hurricanes, wildfires – taking place in the continental United States over the last 18 months. The change in market condition should not be cause for alarm, but rather viewed as a natural shift in the market after over a decade's worth of flat or decreasing renewals.

### **Public Officials / Employment Practices Liability**

For its first POL/EPL renewal with the NJCE, Chubb proposed a 4.65% increase, citing a program-wide increase in budgets and employee counts. An additional factor that contributed to the increase is the continuing #MeToo movement; Chubb underscored the fact that New Jersey is considered a high hazard state when viewed under the #MeToo lens.

One of the points Chubb highlighted during renewal negotiations was its pricing philosophy of pricing year-over-year in anticipation of large loss events rather than proposing a single large increase to an insured after a loss occurs. Our team is in agreement with this approach.

While coverage was bound at the same limits and retentions as expiring, Chubb provided a second option which saw retention increases proposed for Camden County Board of Social Services, Camden County Improvement Authority, Gloucester County Utilities Authority, Gloucester County Library Commission and Atlantic County Improvement Authority. With the exception of Camden County Board of Social Services, all members chose to keep their retention amount as expiring for the 2019 year. The increased retentions item will likely be revisited during the 2020 renewal.

### **Cyber**

Chubb offered a flat rate on its Cyber renewal to the NJCE for 2019. Additionally, Chubb offered certain coverage enhancements to each County's policy, including an increased Contingent Business Interruption limit, Systems Failure endorsement and Systems Failure relating to Non-Malicious Computer acts endorsement.

Burlington County Bridge Commission and Camden County Department of Police Services elected to bind coverage with their respective Commission's cyber policy for the first time effective 01/01/2019.



### **Crime**

Due to a loss event that settled during the negotiation process, AIG proposed a 2% increase to the NJCE for 2019. Initially, the carrier was targeting a 5% or greater increase. Coverage was bound at the same terms and conditions as expiring for all members but one - Camden County College elected to increase their limit from \$1m to \$2m while maintaining a \$10k deductible. Additionally, Cumberland County Improvement Authority, a former participant of the NJCE's crime program when placed with ACE, chose to re-enter the JIF's crime program at a limit of \$2m with a \$10k deductible.

### **Employed Lawyers**

Your incumbent insurer, Chubb, delivered a 1% decrease in rate.

### **Medical Malpractice**

Faced with an increase in exposure, Ironshore, the NJCE's medical malpractice carrier on the primary \$1m / \$3m layer and first \$10m / \$10m excess layer, offered a 30% rate decrease on the primary layer, and 45% rate decrease on the excess layer. Chubb, the insurer on the top \$10m / \$10m layer, provided a 6% increase due to the aforementioned increase in exposure.



**Conclusion**

We sincerely appreciate all of the effort and support provided by you and your staff during this renewal. Overall, we think you will be pleased with the results we were able to negotiate on your behalf.

When your policies are issued by your insurers for the 2019 coverage term, Conner Strong & Buckelew will review these policies against the negotiated coverages that were bound to ensure the policies are accurate. The policies will then be provided to PERMA for your files.

We have completed the issuance of renewal Auto ID cards, Workers' Compensation posting notices and renewal Certificates of Insurance.

The Coverage Bulletins are being posted to the NJCE website and Risk Management Plans are distributed. Finally, we will also work with you on the various state filings.

Respectfully,



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Edward J. Cooney, MBA  
Vice President / Account Executive, NJCE Underwriting Manager  
Conner Strong & Buckelew

