

NEW JERSEY COUNTIES EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN NJCE 20-02

Date: January 1, 2020
To: Fund Commissioners of the NJCE
From: Underwriting Manager, Conner Strong & Buckelew
Re: 2020 Property and Casualty Renewal Overview

Following is an overview of the 2020 NJCE JIF excess property and casualty renewal.

Overall, the insurance market has continued its hardening cycle, which began three years ago with the Property insurance market. Aside from Property, only a few other small segments of the market saw hardening in pricing and/or terms in the past three years.

As we entered Q4 2019, executive teams at insurers were able to review their estimated year-end financials. While the market hardening has still not hit every segment, it abruptly expanded this past quarter, with its primary targets being high risk/CAT Property and Excess Casualty. Not only were insurers looking for large increases to compensate for very poor loss histories, but capacity significantly shrunk in terms of limits offered, participants in the market and risk appetite.

On the Excess Casualty side in particular, we saw reinsurers pull out of US Casualty altogether, limit capacity shrunk to \$5m or \$10m layers, and restrictions added for certain classes of business. Insurers cited “social inflation” and sexual abuse/molestation to be the primary drivers of the losses, overall surmised as un-modeled exposures.

We can expect these trends to continue to move through 2020 and into 2021, where insurers will be closely monitoring these exposures and their performance at these new terms.

Property

The NJCE’s overall property program saw about 7% rate increase. Not only is this outcome far below market norms this year, but a tremendous result considering the poor loss history experienced by the NJCE.

Please note the following coverage changes:

- New Construction & Additions (“Builder’s Risk): Limit decrease from \$25m to \$10m
 - Zurich can still provide above \$10m, but it will need to be underwritten first
- Vehicles: Zurich is restricting coverage for Vehicles to Physical Damage only; Time Element (Rental Reimbursement) will now be excluded
 - The IC/NJCE retain the first \$1m of loss, and will continue to provide the combined Property and Time Element coverage up to the \$1m limit
- Zurich is adding a new “Cyber” coverage with a \$100,000 sublimit; full terms and conditions can be found in the policy.

Casualty

As noted above, the Excess Casualty market has been seeing reductions in capacity and large increases in rate, not to mention insurers pulling out of different classes of business. The NJCE’s entire Excess Casualty program is encountering a large rate increase due to:

1. Brit reducing its limit capacity from \$15m to \$10m; and
2. Skyrocketing excess liability costs to replace that \$5m x \$10m layer.

BULLETIN NJCE 20-02

Workers' Compensation

Our Workers' Compensation program continues to perform very well for the incumbent excess insurer, Safety National. We achieved a flat rate for the 2020 renewal.

Public Officials / Employment Practices Liability

While we still see very frequent and severe claims in the POL/EPL coverage, we were able to achieve a good result with our excess insurer, Chubb, of 4%.

Cyber

The NJCE is beginning to see some loss activity throughout the program, not unlike the activity seen on the municipal side over the past two years. As such, there is a slight premium increase to compensate for the loss trend.

Non-Owned Aircraft Liability

The Aircraft Liability market has shaken up significantly in the past two years, and the NJCE prepared for a very large increase. In the end, we were able to achieve a 1% increase with our incumbent insurer.

Crime

We widely marketed the Crime program in search of alternatives, but our incumbent, AIG, was able to produce the best result in terms of coverage and price.

Medical Malpractice

There are some cautionary loss trends in the Medical Malpractice segment, leading to large increases in the overall market. We were able to negotiate very favorable and better than expected renewals with our incumbent insurers.

Employed Lawyers

This program has remained flat since last year.

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