

NEW JERSEY COUNTIES EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN NJCE 23-02

Date: January 1, 2023
To: Fund Commissioners of the NJCE
From: Underwriting Manager, Conner Strong & Buckelew
Re: Property and Casualty Renewal Overview

Attached is an overview of the NJCE JIF's excess insurance renewal.

Please contact your Executive Director, Risk Manager or NJCE 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

2023



NEW JERSEY COUNTIES
EXCESS JOINT INSURANCE FUND

Renewal Overview

January 31, 2023

■ Renewal Summary

As presented during our Pre-Renewal Presentation in August, we still encounter a hard market, the most difficult since the 1980s. After years of challenging renewals in nearly every area of coverage, we finally begin to see some settling although it is settling at much higher rates, more restrictive terms and less capacity than we saw just five years ago. While many coverages have started to stabilize heading into our 2023 renewal, the Property market took a violent turn toward the worse.

- **Property** – Despite the ever-increasing natural disasters, including the unexpected wildfires and southern freeze events, Property insurers began to see some positive underwriting results during 2021. In late Q3 of 2021, we saw Ida occur, ultimately developing into the fifth costliest insured loss in US history (\$78.8B). And despite Ida, the insurers remained positive. That was until Hurricane Ian hit just one year later with an insured loss of over \$50B. Within one month of Ian, insurer executives (particularly reinsurers) made announcements of planned drastic decreases in capacity, significantly more restrictive terms, higher retentions and large rate hikes. On average, clean and non-CAT prone areas saw 25% rate increases, while CAT-prone saw anywhere between 50%-150%. This came with more restrictive terms, higher deductibles and programs not being able to fill all their capacity.
- **Liability** – Social inflation continues to affect insurers and insureds across the country. Although the known exposures continue from the past few years, the development in claims dollars continues to rise. Even in NJ, we have seen over 50% increase in claims development over the last ten years, including over 75% increase in the average cost per claim during the same period.
- **Workers' Compensation** – No new surprises here. We continue to see COVID-19 to be a long-term concern, while the severe cases saw in the first 12-24 months of the pandemic are not expected at any notable level. The NJCE will continue to see other mounting costs in this coverage line from the increase in presumption and legislative changes shifting more costs to the members.
- **Public Officials / Employment Practices** – The same trends seen in normal liability over past ten years is being seen in POL/EPL now. We are reviewing this recent trend closely to see how much of an impact the pandemic had on these results.
- **Cyber** – Frequency of events may be stabilizing, although the “stable” level is very high, but severity continues to grow. As saw last year, insurers are particularly concerned with widespread events (i.e. Microsoft Zero Day, Last Pass, etc.). Insurers are beginning to find sustainable paths forward with writing this coverage, but insureds have to continue with good security. The work we have done with the Cyber Task Force has certainly helped, but efforts need to continue developing.

It is more important than ever to create the right insurance structure and pick the correct insurance partners to ensure stability in coverage and claims handling through this difficult marketplace. While we continually have discussions with the majority of the marketplace, Property needed by far the most attention and marketing this year.

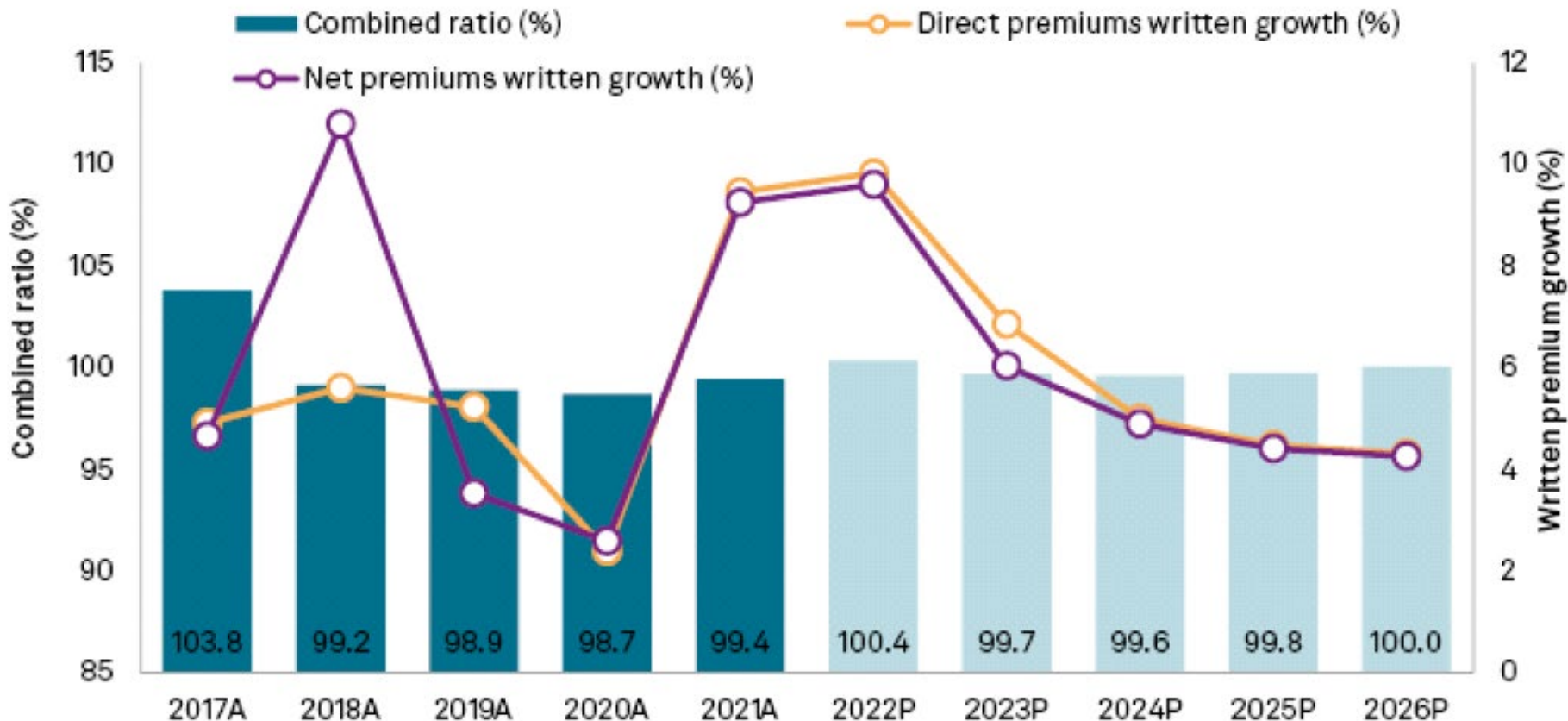
The following pages detail coverage changes to be aware of for 2023. As we pass through yet another renewal in this difficult marketplace, we thank you all for the support. While additional costs are in the budget in the form of loss funding for certain higher retentions, the collective has helped the NJCE achieve less than a 7% rate increase on the excess insurance for this renewal.

The background of the slide is a collage of blue-tinted images. In the top left, there's a close-up of a blue cup on a desk. In the top right, a blue folder, a pen, and some colorful markers are visible. In the bottom left, a portion of a newspaper is shown with the text 'CHILD CARE CLASH SERVICE' and 'THE NUMBERS'. In the bottom right, there's a photo of two people in a meeting. The title 'Marketplace Overview' is centered in a large white font.

Marketplace Overview

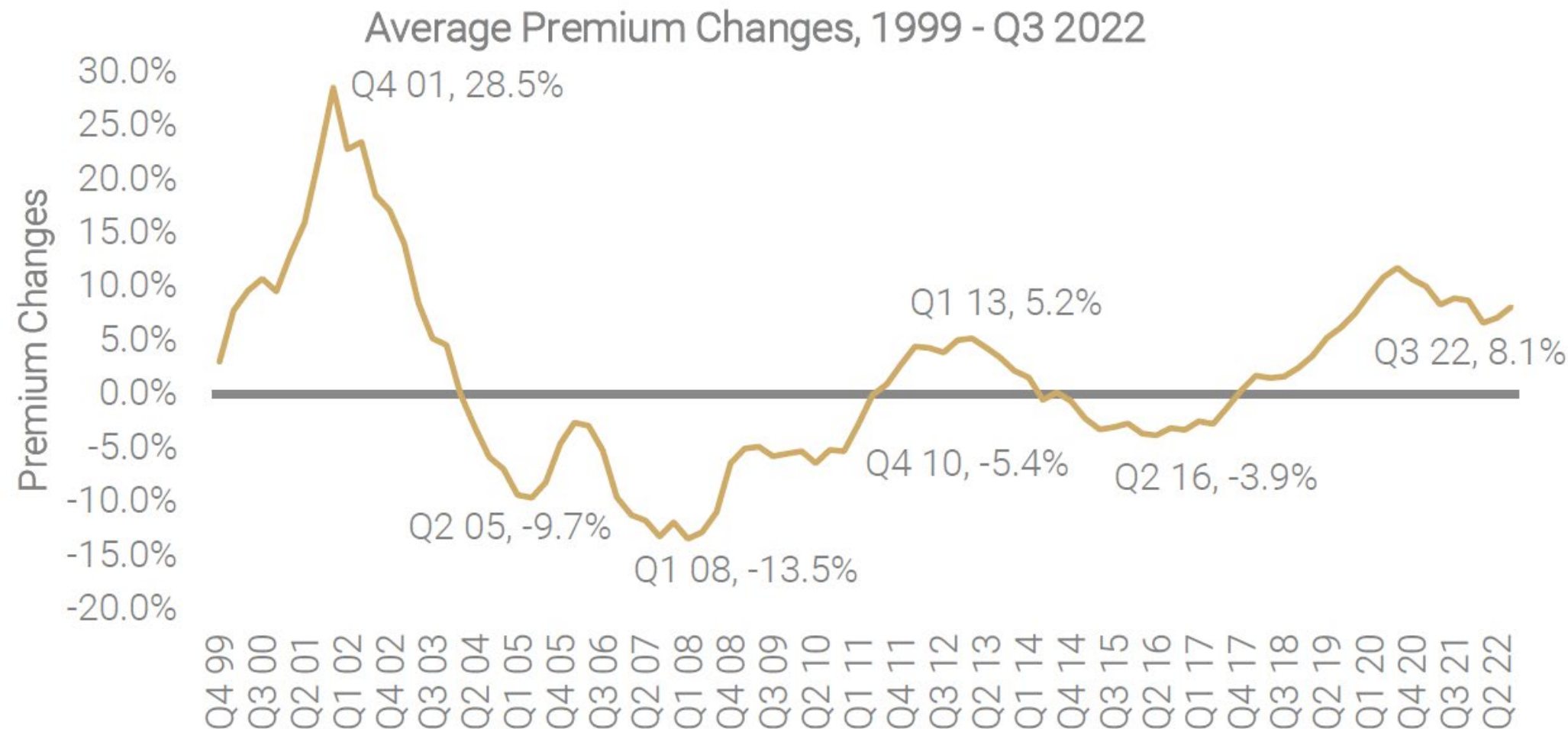
Marketplace Overview

Overall P&C industry outlook



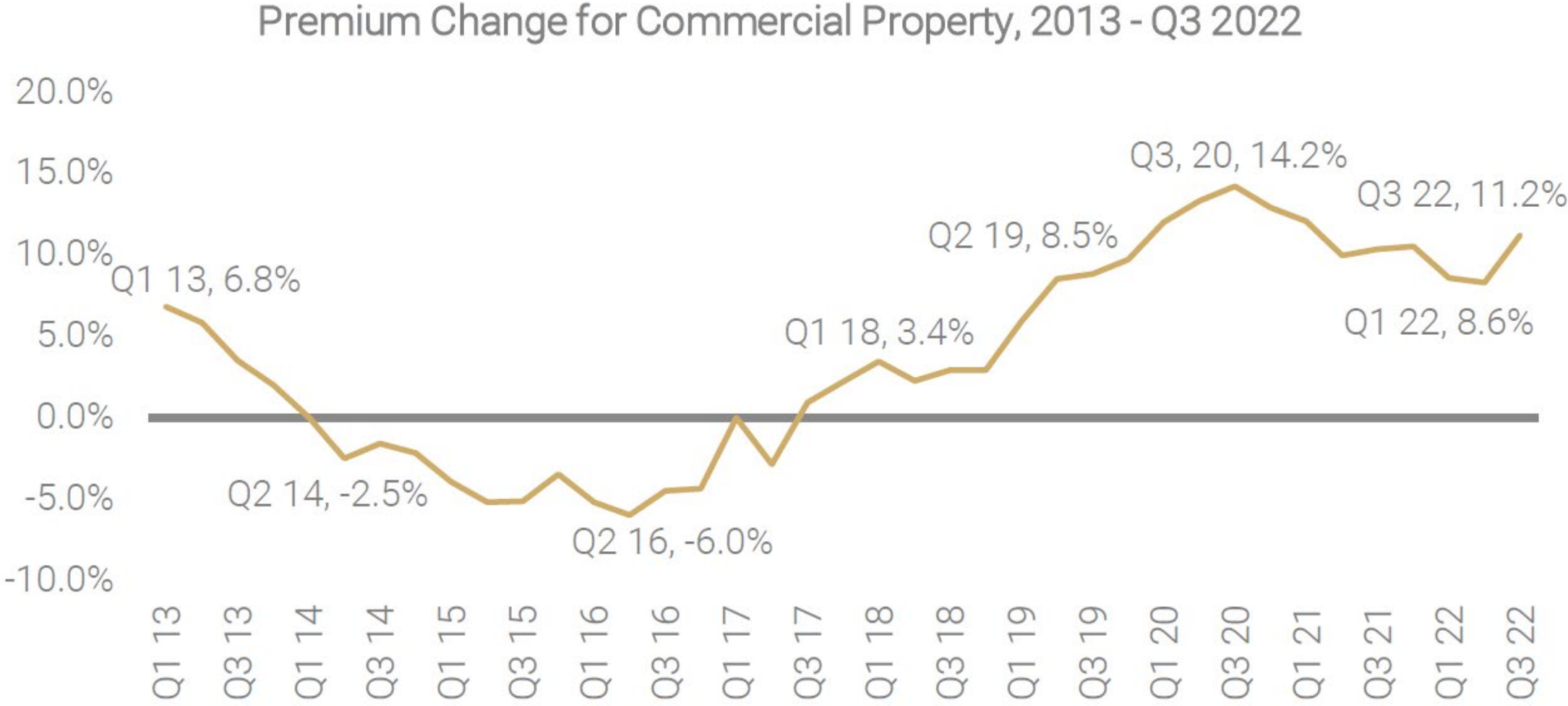
Data compiled June 14, 2022.
A = actual results; P = projected results
Results adjusted to exclude state funds, residual markets and AIU Insurance Co.
Sources: S&P Global Market Intelligence; proprietary estimates
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Marketplace Overview

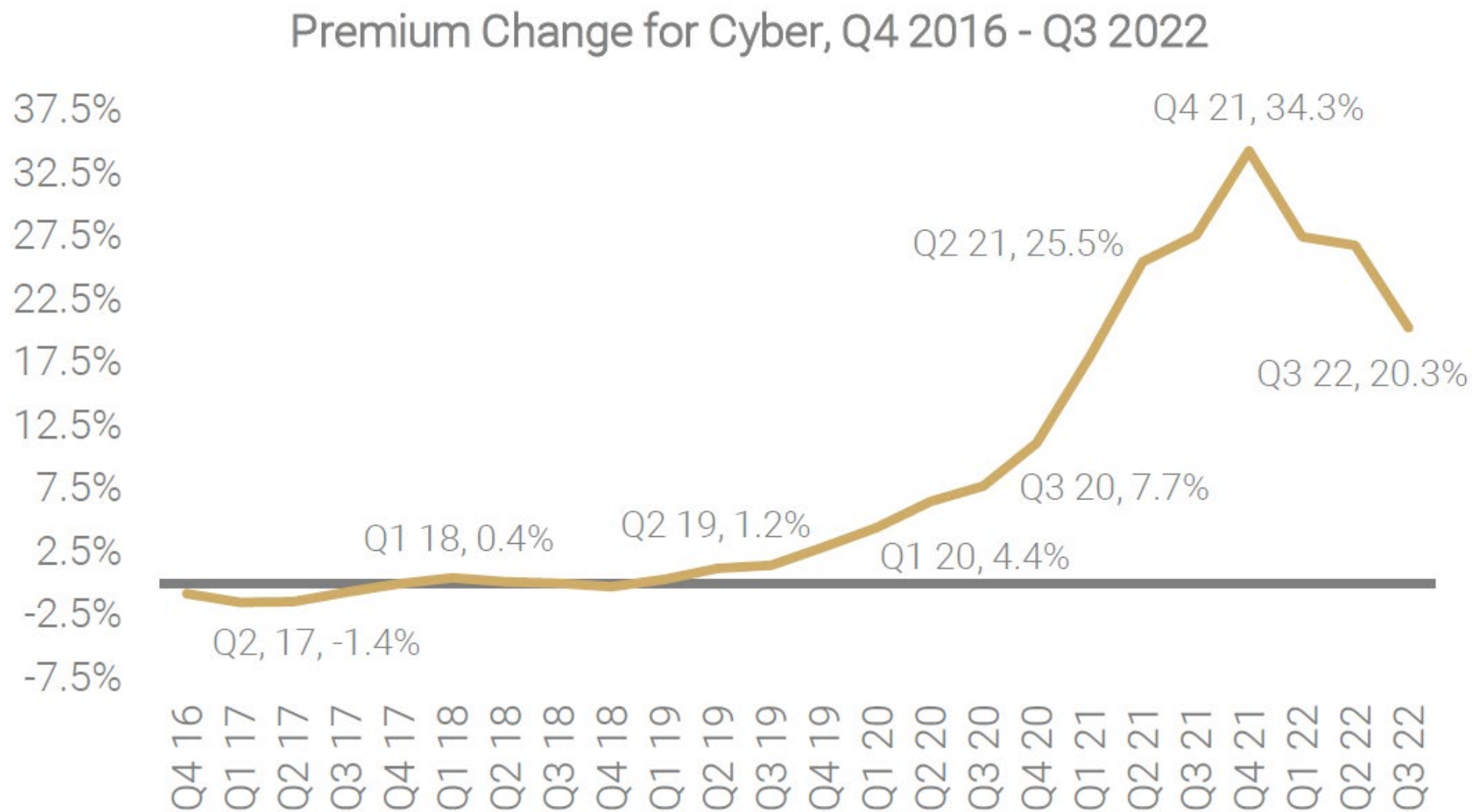


Source: The Council of Insurance Agents & Brokers

Marketplace Overview



Marketplace Overview



Marketplace Overview

Property Focus



Retrocession rates now 165% higher than 2017 lows: Jefferies
4TH JANUARY 2023

Rates-on-line for non-marine catastrophe retrocessional reinsurance are now up approximately 165% on their 2017 lows, analysts at Jefferies have pointed out using data reported by broking group Howden.



Renewals: Catastrophe retro rates +50%, global property cat +37%, says Howden
3RD JANUARY 2023

Risk-adjusted non-marine catastrophe retrocession excess-of-loss rates-on-line rose by 50% at the January 2023 renewals, while global property catastrophe reinsurance rates rose 37%, according to international broking group Howden.

Aggregate retro supply shrank further, terms more restrictive at 1/1: Gallagher Re

27TH JANUARY 2023

In the global retrocessional reinsurance market, the availability of aggregate covers had been shrinking for some time, but at the January 2023 renewals aggregate retro capacity supply shrank further, while the terms of protection continued to become more restrictive, broker Gallagher Re has said.

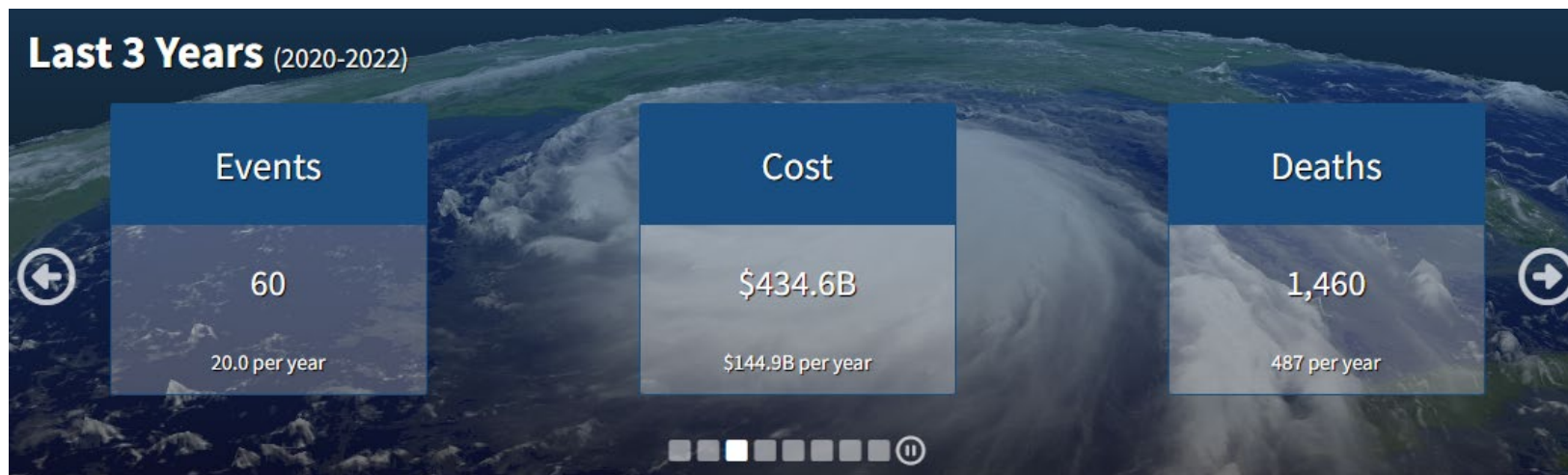
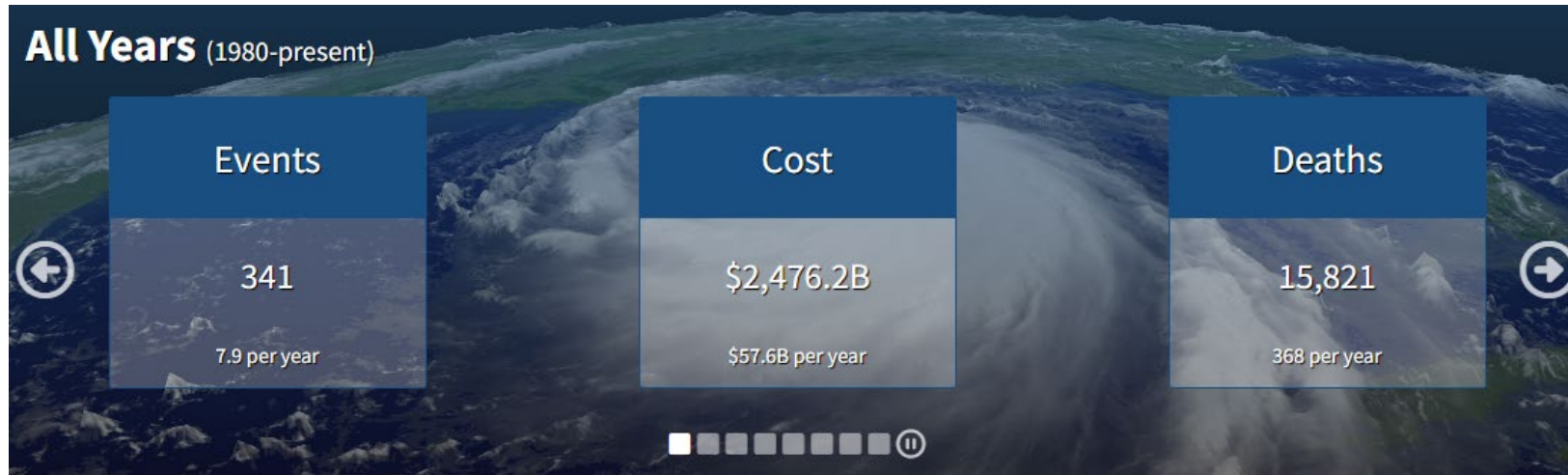
January Renewals See Hardest Property Catastrophe Reinsurance Rates in Generation

By L.S. Howard | January 4, 2023



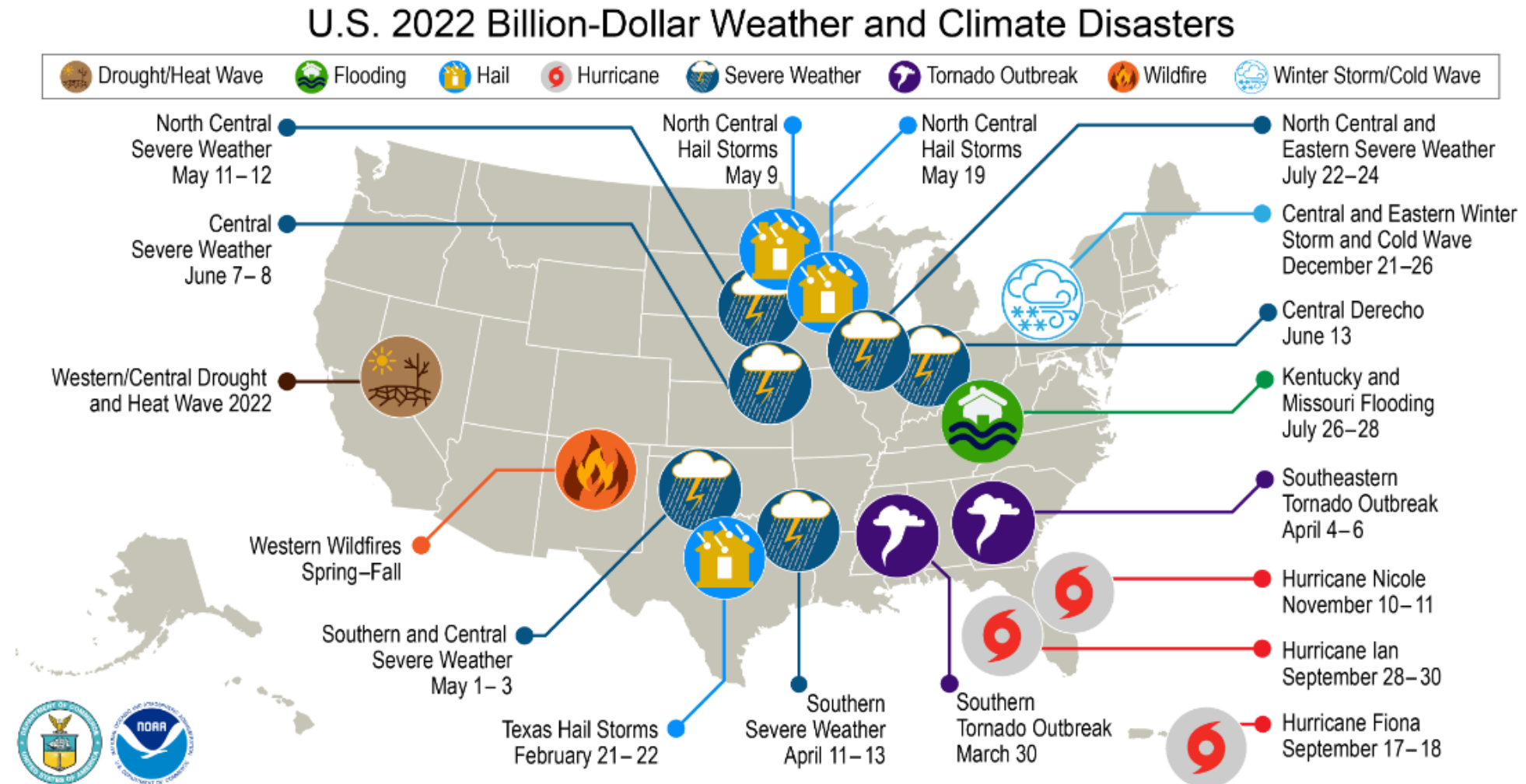
Marketplace Overview

Property Focus



Marketplace Overview

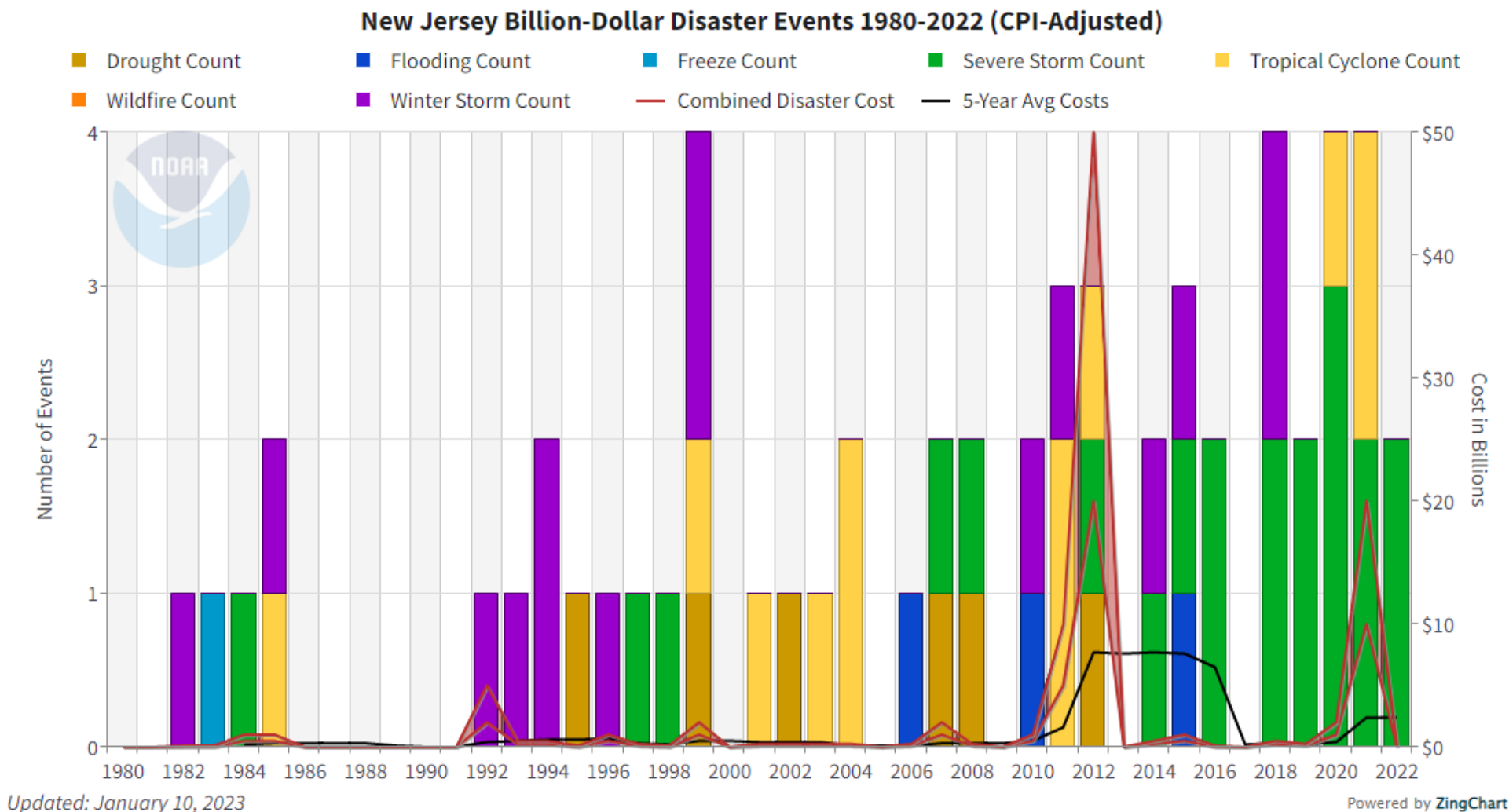
Property Focus



This map denotes the approximate location for each of the **18 separate billion-dollar weather and climate disasters** that impacted the United States in 2022.

Marketplace Overview

Property Focus



Marketplace Overview

Property Focus

United States

Severe Convective Storm Outbreaks

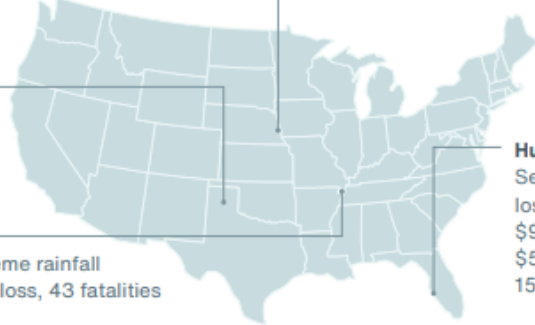
12 billion-dollar events in total
\$37B economic loss,
\$29B insured loss

Widespread Drought

Severe drought conditions
throughout the year
\$16B economic loss,
\$8B insured loss

Missouri and Kentucky Flooding

1,000-year flooding triggered by extreme rainfall
\$1.4B economic loss, \$450M insured loss, 43 fatalities



Hurricane Ian

Second costliest insured
loss even on record globally
\$95B+ economic loss,
\$50-55B insured loss,
152 fatalities



1.39°C (2.5°F)

U.S. summer temperature anomaly; the third-hottest
summer (Jun 1-Aug 31) in 128 years



66,255

Number of wildfires across the U.S.; the highest number
in 10 years



-22.2°C (-40°F)

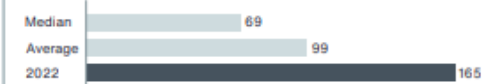
Temperature drop in just 30 minutes, recorded in
Cheyenne, WY, on Dec 21



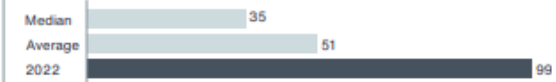
81.2 in (206 cm)

Highest 3-day snowfall accumulation in lake-effect
snowstorm reported in Hamburg, NY

Economic Losses (\$ billion)



Insured Losses (\$ billion)



of global
economic losses

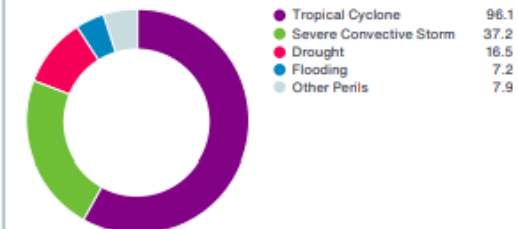


of global
insured losses



of losses covered
by insurance

Economic Losses (\$ billion)



Marketplace Overview

Liability Focus

Incurring Change Percent													
Periods	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months	132 Months	144 Months	156 Months
1/1/2010 - 12/31/2010	84.69%	11.46%	9.91%	3.04%	-10.62%	0.92%	1.75%	-0.90%	-0.39%	0.13%	0.05%	0.01%	-0.05%
1/1/2011 - 12/31/2011	48.82%	17.90%	14.12%	7.43%	8.20%	2.88%	0.84%	-0.41%	0.97%	-0.66%	-0.07%	-0.02%	
1/1/2012 - 12/31/2012	30.24%	13.95%	20.69%	10.16%	17.68%	1.45%	1.15%	1.07%	2.67%	1.10%	-0.17%		
1/1/2013 - 12/31/2013	30.33%	10.69%	16.67%	14.16%	18.29%	8.55%	7.25%	-6.35%	-0.09%	0.49%			
1/1/2014 - 12/31/2014	18.14%	15.59%	23.03%	23.26%	7.74%	10.91%	1.67%	-0.01%	-0.32%				
1/1/2015 - 12/31/2015	21.05%	13.57%	22.18%	21.55%	14.50%	-2.18%	5.63%	3.71%					
1/1/2016 - 12/31/2016	21.04%	29.81%	25.67%	10.91%	8.95%	2.59%	1.03%						
1/1/2017 - 12/31/2017	26.52%	19.83%	27.31%	13.42%	7.81%	5.11%							
1/1/2018 - 12/31/2018	26.06%	19.21%	31.09%	8.73%	14.91%								
1/1/2019 - 12/31/2019	24.93%	16.86%	33.73%	24.48%									
1/1/2020 - 12/31/2020	55.96%	35.57%	8.47%										
1/1/2021 - 12/31/2021	59.35%	40.65%											
1/1/2022 - 12/31/2022	100.00%												

Claim Count Change Percent													
Periods	12 Months	24 Months	36 Months	48 Months	60 Months	72 Months	84 Months	96 Months	108 Months	120 Months	132 Months	144 Months	156 Months
1/1/2010 - 12/31/2010	83.92%	11.15%	3.09%	0.93%	0.25%	0.49%	0.04%	0.03%	0.01%	0.01%	0.03%	0.01%	0.03%
1/1/2011 - 12/31/2011	84.66%	11.04%	1.94%	1.10%	0.80%	0.25%	0.13%	0.03%	0.00%	0.01%	0.03%	0.00%	
1/1/2012 - 12/31/2012	76.98%	18.12%	2.46%	1.43%	0.67%	0.17%	0.06%	0.02%	0.06%	0.00%	0.04%		
1/1/2013 - 12/31/2013	82.45%	12.47%	2.99%	1.12%	0.58%	0.20%	0.04%	0.08%	0.04%	0.02%			
1/1/2014 - 12/31/2014	84.90%	10.53%	2.44%	1.31%	0.49%	0.17%	0.10%	0.07%	0.00%				
1/1/2015 - 12/31/2015	86.78%	9.64%	2.21%	0.96%	0.15%	0.08%	0.10%	0.07%					
1/1/2016 - 12/31/2016	85.00%	11.65%	2.03%	0.75%	0.22%	0.18%	0.16%						
1/1/2017 - 12/31/2017	82.87%	12.77%	3.33%	0.59%	0.28%	0.16%							
1/1/2018 - 12/31/2018	84.58%	12.44%	2.14%	0.50%	0.34%								
1/1/2019 - 12/31/2019	83.17%	13.83%	2.06%	0.94%									
1/1/2020 - 12/31/2020	84.38%	13.76%	1.86%										
1/1/2021 - 12/31/2021	88.34%	11.66%											
1/1/2022 - 12/31/2022	100.00%												

The background of the slide is a composite image of a desk. In the top left, there is a blue mug on a coaster. In the top right, a blue folder is open, showing a pen and some papers. In the bottom left, a newspaper is visible with the text "CHILD CARE CLASS SERVICE" and "THE NUMBERS". In the bottom right, there is a small image of a person working at a desk.

Renewal Overview

Coverage Updates

Property

Marketing

- Approached over 35 markets, in US, London and Bermuda

Excess Changes

- Zurich reducing capacity from 90% to 50%, so the open 40% is being filled with layered and quota share participants.
- Deductibles being increased as follows:
 - AOP: \$2m to \$3m
 - Earth Movement: \$2m to \$3m
 - Flood: \$2m to \$3m
 - Maximum Flood Deductible, Per Occurrence: \$5m to \$10m
 - High Hazard: \$2m Building / \$2m Contents / \$2m Time Element to \$3m Building / \$3m Contents / \$3m Time Element
 - Medium Hazard: \$2m to \$3m
 - E&O, Miscellaneous, Newly Acquired and Transit: \$2m to \$3m
 - Breakdown of Equipment: \$50k to \$100k
 - Named Storm: 1% East of the GSP to 5% across all of NJ, subject to minimum of \$3m per occurrence

Insurance Commission Changes

- Historic Property coverage is removed (as advised at last renewal). Should members require such coverage, they must update the SOV noting which historic register it is on, obtain a certified historic appraisal and provide a copy to us, and update the SOV with appraised value.
- Equipment Breakdown deductible increased from \$50k to \$100k
- TRIA coverage was removed from standard program, and a standalone Terrorism program has been purchased.
 - This will save cost, and coverage will be expanded to include non-Certified Terrorism acts.

Coverage Updates

Property

Structure

Excess Flood / Quake									
\$75,000,000									
Carrier Name	VELOCITY	AXIS	RSUI	ASPEN	ENDURANCE	STARSTONE	HALLMARK	FIDELIS	WESTFIELD
Participation	\$7,500,000	\$7,000,000	\$7,500,000	\$2,500,000	\$5,000,000	\$5,000,000	\$2,500,000	\$9,500,000	\$3,500,000
Part. Pct.	15.00%	14.00%	15.00%	5.00%	10.00%	10.00%	5.00%	19.00%	7.00%
Layer Premium	\$646,600	\$1,100,000	\$1,253,414	\$721,020	\$825,000	\$800,000	\$1,000,000	\$1,900,000	\$1,500,000
Part. Premium	\$96,990	\$154,000	\$188,012	\$36,051	\$82,500	\$80,000	\$50,000	\$361,000	\$105,000
\$260,000,000									
Carrier Name	MITSUI (A)	STARR SLIC (N/A)	VELOCITY (N/A)	FIDELIS (N/A)					
Participation	\$50,000,000	\$50,000,000	\$20,000,000	\$45,000,000					
Part. Pct.	33.33%	23.33%	13.33%	30.00%					
Layer Premium	\$900,000	\$950,000	\$755,003	\$1,200,000					
Part. Premium	\$300,000	\$221,667	\$100,667	\$360,000					
\$110,000,000									
Carrier Name							FIDELIS (N/A)	Ark/New Ark	
Participation							19.50%	AUW	
Layer Premium							\$2,350,000	LLOYDS (N/A)	
Part. Premium							\$458,250	6.50%	
								\$2,100,000	
								\$136,500	
\$50,000,000									
Carrier Name	ZURICH	HCC	MUNICH (N/A)	BEAZLEY (N/A)	BERKSHIRE	AWAC (N/A)	Kiln/Rokstone	WBC	
Participation	50.00%	LLOYDS (N/A)	5.00%	5.00%	HATHAWAY (N/A)	6.50%	LLOYDS (N/A)	LLOYDS (N/A)	
Layer Premium		4.00%	\$8,803,030	\$9,100,000	10.00%	\$8,000,000	15.50%	4.00%	
Part. Premium		\$352,000	\$440,152	\$455,000	\$1,000,000	\$520,000	\$6,767,516	\$2,150,000	
							\$1,048,965	\$86,000	
\$25,000,000									
Carrier Name								Ascot	
Participation								LLOYDS (N/A)	
Layer Premium								4.00%	
Part. Premium								\$5,350,000	
								\$214,000	

Coverage Updates

Liability

Coverage Changes

- Moving to reinsurance with manuscript form.
- No substantial changes; mainly clarifications.

Hot Claims

- (2020), \$1.3m, LEL strip search class action
- (2017), \$1.2m, AL collision, just settled
- (2018), \$742k, LEL jail suicide
- (2018), \$745k, LEL jail suicide
- (2018), \$527k, LEL jail suicide
- (2018), \$675k, GL
- (2015), \$574k, LEL excessive force, still open

Claims Trends

- Jail suicides (including falsifying records), very long tail
- Auto losses, especially those from sheriffs for non-emergency situations
- Long tail with large development due to some reporting deficiencies

Coverage Updates

Workers' Compensation

Coverage Changes

- Adding \$1.75m SIR for Presumption Claims, but at a flat rate (down from original offer of \$2m presumptive with 5% rate increase)
- Year 2 (2024) will be \$2m Presumptive SIR at a 5% rate increase
- Year 3 (2025) will be a 2% rate increase

Hot Claims

- COVID-19
- Presumption concerns with newer legislation
- Development caused by Pension Offset
- (2021), \$1.7m, COVID
- (2015), \$1.5m
- (2015), \$1.4m
- (2013), \$750k, psychiatric disabilities from stress on job, still open
- (2020), \$1.2m, COVID
- (2021), \$650k, tick bite

Coverage Updates

Public Officials & Employment Practices

Coverage Changes

- No notable changes
- Option to move to Reimbursement form rather than duty to defend (declined)
 - All SIRs would move to highest SIR, and premium would remain as quoted

Hot Claims

- General upward trend in EPL claims, with large jump in settlement costs

Coverage Updates

Cyber

Coverage Changes

- No changes
- Option to increase excess limit from \$2m to \$5m for \$200k additional (\$535k total)

Coverage Updates

Pollution

Marketing

- Approached 15 markets

	2022 Expiring AWAC	2023 Renewal AWAC	2023 Alternative AWAC	2023 Alternative AWAC	2023 Alternative AWAC	2023 Alternative AWAC	2023 Alternative AWAC	2023 Alternative Ironshore
Option	Bound	Option 1 (As Expiring)	Option 2	Option 3	Option 4	Option 5	Option 6	Option 7
Term	1 year	1 year	2 year	3 year	1 year	2 year	3 year	1 year
Limit (Each Incident)	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Limit (Aggregate)	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
Deductible (AOP)	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000 \$500,000 Mold, Legionella & Backup
Deductible (BI)	72 hrs	72 hrs	72 hrs	72 hrs	72 hrs	72 hrs	72 hrs	5 days
Premium (Full Term)	\$246,566	\$246,566	\$377,948	\$503,930	\$296,845	\$459,328	\$612,438	\$292,516
TRIA Premium	\$2,466	\$2,466	\$3,779	\$5,039	\$2,968	\$4,593	\$6,124	not specified
Total Policy Premium	\$249,032	\$249,032	\$381,727	\$508,969	\$299,813	\$463,921	\$618,562	\$292,516
Premium (Annual Rate)	\$249,032	\$249,032	\$190,864	\$169,656	\$299,813	\$231,961	\$206,187	\$292,516
Minimum Earned	100% at inception	0%, short rate	0%, short rate	100% at inception	0%, short rate	0%, short rate	100% at inception	not specified

* \$1m of Sewer Back-Up coverage added in AWAC renewal options

Coverage Updates

Other Coverages

- Non-Owned Aircraft: No changes
- Crime: No changes
- Medical Malpractice: No changes; general segment-wide increase in rates due to segment claims activity
- Employed Lawyers: No changes
- Member Ancillary Coverages: No substantial changes; members presented with individual options
- Active Assailant: No changes; general rate increase due to losses in the segment
- Travel Accident (Wage Gap): No changes



2024 Outlook

■ Marketplace



■ Property Options

1. Deductibles

- Standard deductibles (current)
 - *\$3m Each Occurrence*
- Annual aggregate deductibles with maintenance deductibles
 - *Such as \$5m or \$10m aggregate with \$100k maintenance deductibles for each occurrence that does not erode the aggregate*

2. Quota share participation

- Full layer
 - *10% of \$110m*
 - *20% of \$150m x \$110m*
- Partial layer
 - *Small share of primary layer (primary \$50m)*
 - *Large share of excess layer with no Flood/Quake risk (\$60m x \$50m)*
 - *Excess Flood/Quake risk only (\$25m x \$50m)*

3. Review Structure

- Move to a full layered and quota share program
 - *Typically, \$5m - \$10m lead, with excess layers above*
- Consider less limits or higher deductible in CAT in conjunction with a parametric product



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