

# Incoming NJM CEO's Early Career Meant Defending Regulations Tough on Industry

By Renée Kiriluk-Hill, Best's News Service via Bestwire

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WEST TRENTON, N.J. - Incoming NJM Insurance Group President and Chief Executive Officer Mitch Livingston's first job out of law school landed him in the middle of automobile insurance regulatory reform. Assigned to banking and insurance at the New Jersey Office of the Attorney General, he split his time defending against insurers' rate increase requests and for constitutionality of the legislation, he said.

"It got very political," he told Best's News Service. "Governor after governor ran on the perception that auto insurance was a problem."

He started shortly after then-Gov. Jim Florio signed the Fair Automobile Insurance Reform Act in March 1990, intended to reduce rates state-wide and close the high-risk Joint Underwriting Association.

The '80s and '90s were tough for auto insurers in New Jersey, as regulations made it difficult to raise rates, coupled with restrictive barriers to exit, he said, noting some major carriers stopped writing new business amid a "stifling environment."

Fresh reforms in 2003 reversed the situation. "It was good for the market and good for our policyholders and the State of New Jersey. Today, all top-10 writers are back."

With increased competition came change. Livingston said NJM did away with a rating system that had been pretty flat. It started marketing "for the first time in our 103 years of existence" and worked to increase its presence on internet searches. "We need to make sure we're on top of" digital changes every day.

Livingston takes the helm at NJM as outgoing President and CEO Bernie Flynn retires in late April (Best's News Service, Jan. 26, 2018). Livingston credits Flynn with leading technology improvements at NJM, including a digital platform that offers customers the ability to "interact with us on the level they want to.

"Since 2015, we have grown premium year-over-year. We sort of flexed into that competitive market, adding policyholders over time, adding service and adding to our standards, consistent growth."

The company continues to write policies directly, employing 2,500 across three, in-state locations. By keeping services in-house NJM has maintained a low underwriting expense ratio. "We've been a direct writer 50 years now," ahead of a trend taking place in personal insurance.

NJM has had its own managed care organization for more than 20 years and in 2016, the company established NJM Claims Management for third-party administrative services to

companies that self-insure for workers' compensation. As the state's largest workers' compensations carrier, Livingston said it has the strength to "negotiate rates, so we get quality and cost, it's a competitive advantage."

The second-largest writer of personal auto in the state, it advocates for the state automotive medical fee schedule. "We're always working with the department of insurance and the legislature on behalf of our policyholders to control those costs. If we don't, those costs end up going through in rates. If you're not focused on New Jersey and immersed in the legislation, like we are, it's easy to get distracted."

Company underwriting results are tempered by the issuance of policyholder dividends. "We operate as a true mutual. We keep what we need ... return the rest in the form of dividends. We're not paying stockholders, so at the end of day we're able to operate on different kinds of margins than some stock companies," Livingston said.

The company enjoys personal auto retention rates in the 90s, he added, exceeding the industry's mid-80s average. "You're getting a fair rate" at NJM, he said, as well as service.

In 2015, NJM, which had long offered policies to state and private employees, opened eligibility to municipal and school employees in New Jersey. That added about 10,000 policyholders, Livingston said, and "didn't step on our membership requirements."

The company is looking to grow, he noted. NJM incurred \$300 million in losses when Hurricane Sandy pummeled New Jersey in 2012. This year it's expanding geographically for the first time, to non-coastal Pennsylvania, where it can diversify risk in a market with some "very similar" areas, said Livingston.

NJM is starting its marketing in Philadelphia and Bucks County, across the Delaware River from New Jersey and NJM headquarters. "We can market (there) and still reach New Jersey, especially South Jersey, where we would like to expand," he said. "And we have experience from a regulatory perspective," from insuring New Jersey employees residing in neighboring Pennsylvania or New York.

Operating entities of New Jersey Manufacturers Insurance Co. currently have a Best's Financial Strength Rating of A+ (Superior) or A (Excellent).