

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN MEL 18-02

Date: January 1, 2018
To: Fund Commissioners of Member Joint Insurance Funds
From: Underwriting Manager, Conner Strong & Buckelew
Re: 2018 Property and Casualty Renewal Overview

Except for the Excess Workers Compensation section, this bulletin does not apply to the “workers compensation only” members of NJPHA JIF. Except for the Excess Workers Compensation, Non-Owned Aircraft, primary POL/EPL and Cyber Liability sections, this bulletin does not apply to the members of the NJUA JIF

Attached is an overview of the 2018 MEL 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: Risk Management Consultants
Fund Professionals
Fund Executive Directors

Executive Summary

We would like to thank you for allowing us the opportunity to present this insurance proposal. We value your business and appreciate the confidence you have placed in Conner Strong & Buckelew over the years and look forward to receiving your authorization to bind the coverages as outlined in this proposal. We are pleased to present our Property & Casualty Insurance Proposal for the 2018 policy period.

In our pre-renewal planning meeting of 08/02/2017 we discussed a number of goals to address regarding your 2018 renewal. In addition to obtaining favorable renewals from our incumbent markets, the specific goals were as follows:

Public Officials / Employment Practices

- Rewrite policy form using a commercially viable form
- Offer \$1m of Land Use coverage to all members
- Offer \$1m of Injunctive Only coverage to all members

Cyber

- Move from SIR to deductible
- MEL Cyber task force



Property

The insurance market saw one of its toughest and most volatile hurricane seasons this year, coupled with simultaneous significant wildfires. Most of the events pushed the storm models to new extremes, requiring redefinition of certain event categories and hazard areas. The Property market was more financially prepared for events like these than ever before in history, but the number of these extreme events nevertheless caused significant losses and required many insurers to dip into their capital. As such, we saw a tightening in terms and conditions in the new hazard areas, as well as macro and micro price hardening.

Zurich, the primary incumbent, has committed to a flat renewal due to the long-term partnership and positive loss history.

The insurers in the \$25m excess \$50m layer came in at about a 10% increase versus adjusted expiring. Benchmarked to the marketplace, this is a good result as most insureds with significant CAT exposure saw 10%-30% increase with changes in terms. In addition, this comes after the 2017 renewal where we saw a 19% drop in rate, yielding a phenomenal result over the two years.

Everest, incumbent \$25m excess \$75m, came in about 4% above the adjusted expiring figure. Again, a great result considering the significant market changes.

Casualty

2018 marks the second year of two-year deals with our incumbent reinsurers, Genesis and Munich Re. The second year of the agreement brings a 5% reduction in rate and a flat rate for Genesis and Munich, respectively.



Workers' Compensation

We are entering the final year of a three-year policy term with Safety National. The 2018 year will feature a flat rate for this line of coverage. Safety National has performed well on the account since its introduction to the program in 2012, and is committed to a long-term relationship with the MEL.

Volunteer Directors & Officers Liability

QBE Specialty, incumbent, provided a flat renewal with the following coverage options and rates:

Options	Limit of Liability	Deductible	Assessment
1	\$1,000,000	\$1,000	\$324
2	\$1,000,000	\$2,000	\$305
3	\$1,000,000	\$5,000	\$259
4	\$2,000,000	\$1,000	\$456
5	\$2,000,000	\$2,000	\$429
6	\$2,000,000	\$5,000	\$365

Public Officials / Employment Practices Liability

The MEL is entering a new contract with QBE, incumbent, with an overall 3.5% increase. Although frequency and severity in EPL and POL claims continue an upward trend, we are reaching a sustainable level with QBE. The known claim area we will closely watch, which can drastically affect our performance, is POL Land Use claims.

We are also happy to offer all MEL members an automatic \$1,000,000 in Land Use coverage for defense and indemnity. Your policy retention will apply and a 20% coinsurance will apply through the entire limit; however, neither will erode the limit.

Conner Strong & Buckelew spent a significant amount of time sorting through the fine details of the MEL's claims history as respects non-monetary and land use types of claims. Our in-depth analysis produced critical information to be able to negotiate the coverage noted above. Again data analytics has proved to be a valuable resource in the management of the insurance program.

Finally, we spent a significant amount of time with many parties (including QBE) to move the POL/EPL program to a commercial policy form. We used our partner's policy form (QBE) as the base and made modifications to meet the MEL's current level of coverage. The change is intended to provide us with a more commercially viable form, and one that is continually reviewed by counsel; there are no changes in coverage.



Non-Owned Aircraft Liability

Endurance (W. Brown), incumbent, offered a flat renewal for 2018.

Cyber

In line with the upward trend of cyber-attacks, our membership saw over ten (10) claims this past year; and this only accounts for what was reported to the insurer.

XL Catlin, our primary incumbent, has provided us a very competitive program through the years. In an effort to keep the program stable and sustainable, we agreed on a 5% increase to all of its rates. XL Catlin has continually been a strong partner of ours, especially as the claims activity has drastically increased, and offering a very easy underwriting process for a very complicated line of coverage.

Option	Limits			Retention	Rate <i>per member</i>	
	Aggregate	3rd Party	1st Party		All Other	Burlco
1	\$6,000,000	\$3,000,000	\$1,000,000	\$10,000	\$630	\$725
2	\$6,000,000	\$3,000,000	\$3,000,000	\$10,000	\$888	\$1,022
3	\$8,000,000	\$5,000,000	\$3,000,000	\$10,000	\$1,066	\$1,225
4	\$10,000,000	\$5,000,000	\$5,000,000	\$25,000	\$1,260	\$1,449

Beazley's (incumbent excess insurer) excess offering is remaining at a flat rate.

Option	Limit			Excess of Option	Rate <i>per member</i>	
	Aggregate	3rd Party	1st Party		All Other	Burlco
1	\$6,000,000	\$3,000,000	\$1,000,000	1	\$360	\$414
2	\$6,000,000	\$3,000,000	\$3,000,000	2	\$509	\$584
3	\$5,000,000	\$3,000,000	\$2,000,000	3	\$400	\$460
4	\$8,000,000	\$5,000,000	\$3,000,000	3	\$600	\$680
5	\$5,000,000	\$2,500,000	\$2,500,000	4	\$380	\$437
6	\$10,000,000	\$5,000,000	\$5,000,000	4	\$720	\$828



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.

Below is a premium overview of the renewal. Included in the chart are the adjusted figures, representing the expiring rates applied to the renewal exposures; this provides a true “apples-to-apples” comparison.

Coverages	Expiring Annual Pricing 01/01/2016-2017	Expiring Rates applied to Renewal Exposures	Annual Renewal Pricing 01/01/2017-2018	Adjusted Delta	
				\$	%
Property	\$9,464,521	\$9,716,531	\$9,758,778	\$42,247	0%
Casualty	\$7,850,476	\$7,850,476	\$7,549,675	-\$300,801	-4%
Workers' Compensation	\$2,604,328	\$2,646,660	\$2,646,660	\$0	0%
Public Officials/Employment	\$18,167,218	\$18,167,218	\$19,743,224	\$1,576,006	9%
Volunteer D&O	\$154,006	\$154,006	\$154,006	\$0	0%
Non-Owned Aircraft	\$30,000	\$30,000	\$30,000	\$0	0%
Cyber	\$702,037	\$731,259	\$741,665	\$10,406	1%
Total	\$38,972,586	\$39,296,150	\$40,624,008	\$1,327,858	3%

There are still plenty of adjustments ongoing in the various lines of coverage, but the above gives an accurate depiction of rate movement and general premium dollars. As you can see, POL/EPL represents nearly 50% of our premium spend, so its associated increase carries a significant weight in the result for the overall program.

When your policies are issued by your insurers for the 2018 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.

We worked with you over the past few months to develop a more consistent and easier to read Plan of Risk Management, which has now been distributed. The Coverage Bulletins are also being posted to the new MEL website. Finally, we will also work with you on filing the insurance policies and the Plans of Risk Management with the State of New Jersey.

Respectfully,



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

