MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
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BULLETIN MEL 19-02

Date: **January 1, 2019**

To: **Fund Commissioners of Member Joint Insurance Funds**

From: **Underwriting Manager, Conner Strong & Buckelew**

Re: **2019 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 2019 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

Edward Cooney, MBA
Vice President, Account Executive
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Major Accounts

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December 18, 2018

RE: Municipal Excess Liability Joint Insurance Fund
2019 Insurance Renewal

Dear Dave and Joe:

On behalf of the Underwriting Manager team for the MEL, we want to provide you a general summary of the 2019 insurance renewal and to confirm all coverages are bound. A full, detailed Confirmation of Insurance will be provided as we finish rectifying the renewal exposures and selections with your team.

The overall goal guiding us through the 2019 renewal is obtaining favorable renewals from all of our incumbent insurers. There was particular focus on the Casualty and Public Officials/Employment Practices coverages, which are discussed in more detail below.

Thank you for all of your efforts and assistance regarding this renewal.

Best regards,

Edward J. Cooney, MBA
Conner Strong & Buckelew, MEL Underwriting Manager

CC: Dave Grubb, *PERMA, MEL Executive Director*
Joe Hrubash, *PERMA, MEL Deputy Executive Director*

Results by Line of Coverage

Property

2017 and 2018 brought about very significant and numerous natural disasters around the globe, with a few of the most notable in the United States and its territories. Underwriting profits and net profits were significantly affected, and the market saw many adjustments to underwriting guidelines. Despite the bad year in the macro market, the MEL will have a favorable renewal.

The MEL's incumbent primary insurer, Zurich, is offering a flat renewal (rate and retention) due to the continued positive loss experience.

We were expecting the insurers participating in the $50,000,000 excess $50,000,000 Flood/Earth Movement layer to increase their premium due to internal underwriting guideline adjustments from the global market, but not more than 5%. In the end, we were able to deliver a 4.2% increase.

Casualty

The incumbent reinsurers (Genesis and Munich) have continuously performed favorably in their 30+ year partnerships with the MEL. 2018 brings the end of multi-year agreements with both, and so we are working on new contracts. Following the retirement of our underwriter, plus senior management changes at Genesis in 2018, we have unfortunately seen a significant change in underwriting mentality. We spent a prudent amount of time and energy in discussions with Genesis starting prior to the summer in order to educate the new team on the MEL account, as well as setting expectations for the renewal. Despite our efforts and the stellar loss history, Genesis originally asked for a 6% rate increase before coming down to a final offer of 3.5%. As such, we began a focused marketing effort to key insurers for the Genesis layer: Brit (a Fairfax company), Old Republic, and Munich.

A few weeks following the start of our marketing process, Genesis returned a new final offer of flat; however, we needed to continue the fair and open marketing process with the alternative insurers. Numerous options were presented, including structure changes and possible quota share options. In the end, the Reinsurance Committee chose one of Brit's options: $3,000,000 limit excess of $2,000,000 retention, and the MEL would quota share 20% of the layer. In total, this option returned the greatest amount of savings and allowed the MEL to better participate in higher layers, totaling over $1,000,000 in savings.

Munich on its current layer ($15m x $5m) returned a flat rate.

The Underwriting Team also spent much of the year speaking with the membership about interest in higher Casualty limits above the $20m currently offered by the MEL. This process resulted in much stronger purchasing of the $20m currently offered (expected at over 50%). We have also communicated to the JIFs different excess limit options for each to purchase. These discussions will continue through the renewal.

Results by Line of Coverage (cont'd)

Workers' Compensation

We are ending a multi-year agreement with Safety National, and have negotiated a new contract. The program continues to perform well for Safety National and it is committed to the partnership. The result is a two-year option with a 3.9% rate decrease.

Public Officials / Employment Practices / Volunteer D&O

QBE is the MEL's incumbent insurer for each coverage.

As respects the Public Officials / Employment Practices program, we are beginning to see the loss ratio improving, while total losses remain in a steady range. The improving metric warrants slightly smaller increases in the near future, which is reflected in the 2% increase we negotiated for the 2019 renewal.

During the year we had lengthy discussions with the Executive Directors regarding our current rating system for POL/EPL, identifying areas we could improve. A POL/EPL Task Force was established to focus on this, which will be producing a more favorable pricing model for the membership.

The Underwriting Team has also been working with QBE on improving and expanding the risk management resources available to the membership. We will continue to work with the MEL and designing and implementing these new and improved measures.

The Volunteer Directors & Officers Liability program is remaining at a flat rate for this renewal.

Cyber

XL Catlin's and Beazley's (incumbent insurers) have been strong partners on our Cyber program. Especially as the claims activity has increased, they continue to offer a very easy underwriting process for a very complicated line of coverage and favorable renewals. The first three quarters of the year saw a good share of claims activity this year, but nothing outside the expected. However, in December we saw four significant claims within a one week period, plus an additional three yet to develop. The claims costs have pushed the loss ratio into the 200% range. As such, we need to gradually raise rates to continue a sustainable relationship with our strong partner. XL Catlin will be at a 15% increase, which comes out to an average of just over $100 per member. Beazley will still remain flat for the Excess Cyber.

The Underwriting Team has received positive feedback from both insurers on the Cyber Risk Management Program implemented.

Non-Owned Aircraft

The aviation market has shaken up in Q3 and Q4 of 2018, quickly departing from the soft market of the past few years. As such, Endurance's (incumbent) renewal is up by $7,060. No changes in terms and conditions.