

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN MEL 19-10

Date: January 1, 2019

To: Fund Commissioners of Member Joint Insurance Funds

From: Underwriting Manager
Conner Strong & Buckelew

Re: Reporting Requirements for Vacant, Historic, Builders Risk and Newly Acquired Locations

The bulletin does not apply to the members of the NJUA JIF and “workers compensation only” members of NJPHA JIF.

This will serve as a reminder of reporting requirements of the MEL property program for vacant buildings, historic buildings, builders under construction/renovation and newly acquired locations. The reporting requirements are outlined on the enclosed pages.

If you have any questions concerning this bulletin, please contact your Risk Management Consultant, JIF Executive Director or the Underwriting Manager.

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

VACANT BUILDINGS

Vacant buildings can be defined as buildings containing nothing; being without contents or occupants. Unoccupied means currently not in regular use by the member and not visited on a regular basis by municipal personnel; however, is being used for storage or contains contents.

The MEL Underwriting Manager must be notified no more than thirty (30) days from the time of acquisition of a vacant/unoccupied building. This applies to all future acquisitions of vacant/unoccupied property and existing property that becomes vacant or unoccupied. It is not necessary to report vacant lots, vacant land, water tanks and bodies of water.

PLEASE NOTE, effective January 1, 2020, ALL vacant buildings will be subject to these requirements, including buildings previously scheduled.

Reporting Requirements

- 1) Date of acquisition or possession;
- 2) Description and occupancy before vacancy;
- 3) Future plans for the building and time frame;
- 4) Whether or not utilities are disconnected;
- 5) Building Security ie., alarms, security guards, fence, lighting, etc.;
- 6) Scheduled weekly/daily maintenance/visits;
- 7) Mortgagee/additional interest, if any;
- 8) Street address or legal address (block and lot numbers and street and town);
- 9) Insurable value of the building (actual cash value or replacement cost);
- 10) Number of stories;
- 11) Square footage;
- 12) Building Construction ie; masonry, frame, etc.; and
- 13) Photo or Google Maps link.

Upon notification, the Joint Insurance Fund and excess Insurer reserve the right to inspect the property. If any inspection uncovers major deficiencies or discrepancies from what is initially reported, the member entity may be asked to correct this in order for coverage to apply.

After the initial reporting of a Vacant or Unoccupied building(s), the member entity must continue to include these buildings on the member entity's property schedule during the annual exposure review process for continuation of coverage. Vacant or Unoccupied buildings should be inspected regularly and added to routine Law Enforcement patrols. See attached check sheet that can be used as a guide. The JIF/MEL and/or excess carrier reserves the right to cancel coverage on any vacant/unoccupied building if in its judgement the member entity is allowing the building to fall into disrepair, is not following through on its intended future use as proposed by the member entity, or fails to meet its stated timeline for the future use/disposition of the building.

Please refer to your policy and procedure manual for the JIF's policy in this area.

VACANT BUILDINGS (cont'd)

Coverage

1. Vacant Buildings:

- a. Actual Cash Value – Except as noted below, the JIF/MEL will only provide “Named Perils” coverage on an “Actual Cash Value” basis on vacant buildings.
- b. Demolition/Debris Removal – In the event that the Fund Underwriter/Excess carrier does not approve coverage for vacant buildings the JIF/MEL will cover the reasonable and necessary costs up to \$25,000 incurred to demolish and remove debris from property that remains following direct physical loss from “Named Perils” for vacant buildings that are reported in accordance with the terms above and no more than 60 days from the time of acquisition. Members may seek higher limits for demolition/debris removal upon providing documentation of increased costs for demolition/debris removal to the Fund Administrator and/or the Fund Underwriter and upon the Fund Underwriter’s approval.
- c. Replacement Cost – R/C coverage may be provided for all risks of direct physical loss from any cause unless excluded under the policy for vacant buildings under the following circumstances and upon approval by the Fund Underwriter/Excess carrier:
 - i. The member must provide documentation as to the intended future use of the building including a realistic timeline for placing the building in use;
 - ii. The completion of a satisfactory inspection by the Fund Underwriter’s office to verify building condition, security of the building, and status of utilities.

2. Unoccupied Buildings:

- a. Seasonal unoccupied buildings such as recreation halls, lifeguard facilities, swimming pool lockers, etc. will be covered on a Replacement Cost basis for all risks of direct physical loss from any cause unless excluded under the policy.
- b. Other Unoccupied buildings must be submitted for coverage determination. In the event that the Fund Underwriter/Excess carrier does not approve coverage Demolition/Debris Removal coverage may be provided in accordance with 1.c. above.

“Named Perils” means: Fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, volcanic action, watercraft and malicious intent.

NOTES:

All vacant properties must be reported to your JIF Executive Director and the Underwriting Manager. Also forward a copy to the MEL Executive Director located at PERMA Risk Management Services, 9 Campus Drive, Suite 216 Parsippany, NJ 07054.

PLEASE NOTE, effective January 1, 2020, ALL vacant buildings will be subject to these requirements, including buildings previously scheduled.

HISTORIC BUILDINGS

Reporting Requirements

- 1) Date of acquisition or possession (must be reported within thirty (30) days of acquisition);
- 2) Future plans for the building and time frame for such plans;
- 3) Whether or not utilities are disconnected;
- 4) Building security, such as alarms, security guards, fence, lighting, etc.; and
- 5) Scheduled visits, with full internal and external walkthrough, plus routine law enforcement patrol (at least weekly).

Additional Information

Upon notification, the JIF and its insurers reserve the right to inspect the property. The member entity may be asked to correct any major deficiencies or discrepancies from what is initially reported in order for coverage to apply.

The member entity must continue to include these buildings on the member entity's property schedule during the annual exposure review process for continuation of coverage.

The JIF and/or its insurers reserve the right to cancel coverage on any building if, in its judgement, the member entity fails to continually satisfy the Special Reporting Instructions above.

Definitions

Historic Property: Any property appearing in the local register of Historic Places, National Historic Landmarks Program, or National Register of Historic Places.

Insurance Coverage

1. Cost to replace, repair or restore using the same materials, workmanship and architectural features and details that existed before such loss provided they are available. If any materials or workmanship needed to replace, repair or restore a building or structure are not available, the cost to use materials and/or workmanship that will permit the replacement, repair or restoration of the building to a condition that most closely resembles the condition which existed immediately before the loss occurred will be utilized.
2. If there is an ordinance or law in effect at the time of loss that regulates zoning, land use or construction of a historic building (such as a Historic Preservation Act or other similar regulation), if that ordinance or law affects the repair or rebuilding of the historic building, and if you:
 - a. Repair or rebuild the building or structure as soon as reasonably possible, then you will receive Replacement Cost valuation on the damaged and undamaged portions of the building, the cost to demolish and clear the site of the undamaged portion of the building, and the increased cost to repair or rebuild the building to the same general size in accordance with the minimum standards of such ordinance or law;
 - b. Do not repair, rebuild or replace the building or structure, then you will receive Actual Cash Value valuation on the damaged and undamaged portions of the building, plus the cost to demolish and clear the site of the undamaged portion of the building.
3. With respect to properties that qualify for "National Historic Landmark" status, the Insured shall have the sole discretion as to the means by which said property shall be repaired, rebuilt or replaced, but not to exceed the actual costs which would have been incurred in order to comply with "National Historic Landmark" status requirements.

BUILDERS RISK

Builders Risk is defined as construction of a new building, an addition to an existing building or major changes to the outer structure of an existing building.

Reporting Requirements

- Builders Risk projects should be reported prior to startup.
- Inspection by the JIF, MEL or its excess insurer is optional.
- There is an additional premium charge by the member Joint Insurance Fund.
- The following information is required when reporting:
 - 1) Type of Construction (Addition to existing or new);
 - 2) Cost of Project;
 - 3) Expected construction start up date and completion date;
 - 4) Street address or legal address (block and lot number and street and town);
 - 5) Completed insurable replacement cost value of the building;
 - 6) Description and occupancy;
 - 7) Square Footage
 - 8) Building Construction ie.; masonry, frame, etc.;
 - 9) Number of stories;
 - 10) Building Security ie.; alarms, etc.; and
 - 11) Mortgagee/Additional interests, if any.

NOTES:

You must advise the JIF Executive Director and the Underwriting Manager when construction has been completed. You should advise occupancy and the insurable value of any contents.

All builders risk properties must be reported to your JIF Executive Director and the Underwriting Manager with a copy to the MEL Executive Director located at PERMA Risk Management Services, 9 Campus Drive, Parsippany, NJ 07054.

NEWLY ACQUIRED LOCATIONS

Reporting Requirements

- 1) Date of acquisition or possession;
- 2) Street address or legal address (block and lot numbers and street and town);
- 3) Insurable value of the building (replacement cost);
- 4) Description and occupancy;
- 5) Square footage;
- 6) Building Construction ie.; masonry, frame, etc.;
- 7) Number of stories;
- 8) Building Security ie., alarms, security, etc.; and
- 9) Mortgagee/additional interest, if any.

Additional Information

- Newly acquired locations should be reported prior to acquisition.
- Inspection by JIF, MEL or its excess insurer is optional.
- There is a sub-limit of \$25,000,000 under the excess insurance program for newly acquired locations.

NOTES:

All newly acquired properties must be reported to your JIF Executive Director and the Underwriting Manager. With a copy to the MEL Executive Director located at PERMA Risk Management Services, 9 Campus Drive, Suite 216 Parsippany, NJ 07054.