MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND

9 Campus Drive, Suite 216
Parsippany, NJ 07054
Telephone (201) 881-7632

BULLETIN MEL 20-02

Date: **January 1, 2020**

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

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

Re: **2020 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

Following is an overview of the 2020 MEL JIF excess property and casualty renewal.

Overall, the insurance market has continued its hardening cycle, which began three years ago with the Property insurance market. Aside from Property, only a few other small segments of the market saw hardening in pricing and/or terms in the past three years.

As we entered Q4 2019, executive teams at insurers were able to review their estimated year-end financials. While the market hardening has still not hit every segment, it abruptly expanded this past quarter, with its primary targets being high risk/CAT Property and Excess Casualty. Not only were insurers looking for large increases to compensate for very poor loss histories, but capacity significantly shrunk in terms of limits offered and participants in the market.

On the Excess Casualty side in particular, we saw reinsurers pull out of US Casualty altogether, limit capacity shrunk to $5m or $10m layers, and restrictions added for certain classes of business. Insurers cited "social inflation" and sexual abuse/molestation to be the primary drivers of the losses, overall surmised as un-modeled exposures.

We can expect these trends to continue to move through 2020 and into 2021, where insurers will be closely monitoring these exposures and their performance at these new terms.

Property

The MEL's overall property program saw about a 6% rate increase for the 2020 renewal. Not only is this outcome far below market norms this year, but the MEL has been outperforming the market over the past few years. These results were achieved with a combination of incumbent markets and broad marketing of the Excess Flood program.

Please note the following coverage changes:

- New Construction & Additions ("Builder's Risk): Limit decrease from $25m to $10m
    - *Zurich can still provide above $10m, but it will need to be underwritten first*
- Vehicles: Zurich is restricting coverage for Vehicles to Physical Damage only; Time Element (Rental Reimbursement) will now be excluded
    - *The JIF/MEL retain the first $500k of loss, and will continue to provide the combined Property and Time Element coverage up to the $500k limit*
- Zurich is adding a new "Cyber" coverage with a $100,000 sublimit; full terms and conditions can be found in the policy.

Casualty
As noted above, the Excess Casualty market has been seeing reductions in capacity and large increases in rate. The MEL's entire Excess Casualty program will see about a 1.6% increase in rate, mainly driven by increases by the two excess layers.

Workers' Compensation
Our Workers' Compensation program continues to perform very well for the incumbent excess insurer, Safety National. We are entering year 2 of a 2-year agreement at a flat rate for 2020.

Public Officials / Employment Practices Liability
While we still see very frequent and severe claims in the POL/EPL coverage, there are indications of better development in the last 3-5 years. As such, we were able to achieve a program-wide 1% rate increase for 2020.

Volunteer Directors & Officers
The Volunteer D&O program continues to be an added supplemental benefit to the POL/EPL program, and will continue in 2020 at a flat rate.

Cyber
The MEL-wide Cyber losses over the past two years have hit about $3.5m incurred on about 55 claims. This is an enormous spike in frequency and severity. Due to the claims trends, the primary Cyber policy has a 25% rate increase and $25,000 retentions for all members. The Excess Cyber remains at a flat rate. Please note, the MEL will still provide the reimbursements for compliance with the MEL Cyber Risk Management program, which effective provides members deductibles of $5,000 and $2,500.

Please note the following coverage changes:

- Deductible increase from $10,000 to $25,000

Non-Owned Aircraft Liability
The Aircraft Liability market has shaken up significantly in the past two years, and the MEL prepared for a very large increase. In the end, we were able to achieve a 1% increase with our incumbent insurer.

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