

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN MEL 21-02

Date: January 1, 2021
To: Fund Commissioners of Member Joint Insurance Funds
From: Underwriting Manager, Conner Strong & Buckelew
Re: 2021 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 2021 MEL JIF excess property and casualty renewal.

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



2021 Renewal

Municipal Excess Liability Joint Insurance Fund

January 1, 2021



Overview

■ Executive Summary

Over the past four years, we have seen sporadic warning signs of a hard market, including the long soft market we enjoyed for nearly a decade. The Property market led the charge a few years, which we have been well aware of, and those increases, although large, have been steady and are clearly linked to large increases in the frequency and severity of losses.

The rising tide of the Property market helped other industry verticals and coverage verticals float higher, but there were exponentially larger issues lurking below the surface, unclear to the naked eye. This journey brought us to Q4 2019 where we saw the beginning of the most tumultuous and volatile insurance market since the mid-1980s; the same type of market that gave birth to JIFs.

While plenty of insurers are taking advantage of the hard market, there are four main drivers affecting all:

1. Historic property losses, including the unexpected return of traditional (fire, water damage) losses and flooding in low-hazard zones.
2. “Social Inflation” in the Liability segment – The steep increase in defense and settlement costs over the past seven years.
3. The ever increasing resource drain and financial burden of ransomware attacks, and other cyber security issues.
4. And of course the unpredictable COVID-19 Pandemic.

The MEL was very prepared for drastic market shifts like these. With the assistance of many of the professionals and commissioners serving the MEL system, we worked on numerous and innovative excess/reinsurance options, identifying the most prudent financial options for the MEL. All of this resulted in an excess insurance renewal that is flat.

The next pages provides a high level overview of the selected renewal options, and the remainder of the presentation goes into the details.

■ Summary of Selected Renewal Options

- Property
 - Increased deductible from \$500k to \$1m, with premium savings far outpacing the additional loss funding costs.
- Liability (\$3m x \$2m)
 - Self-insuring this layer, with the premium savings being about twice that of the loss funding costs.
- Excess Optional POL / EPL (\$8m x \$2m)
 - Purchasing now from Munich Re.
- Cyber
 - Reach out to the MEL or your Risk Manager for details



Coverage Changes & Options

Coverage Changes / Options

Property (Zurich)

Changes

- Fine Arts limit is now \$1,000,000 with a \$25,000 per item for unscheduled and \$2,500,000 for scheduled times.
- Soft Costs sublimit is now included in the New Construction & Additions sublimit of \$10,000,000
- Tenants Relocation limit is now \$500,000 in lieu of \$750,000
- Tenants Prohibited Access sublimit is now \$500,000 with an aggregate and a 48 hours Qualifying Period in lieu of \$1,000,000 with a 24 hours Qualifying Period
- The following wording is removed from Transmission and Distribution Lines: “1 mile radius restrictions for overhead transmission and 5 mile radius restrictions from underground transmission.”, and standard policy wording prevails.
- The following wording is removed from Underground Piping: “5 mile radius restriction.” and replaced with “within a 1,000 foot radius.”
- Protection and Preservation of Property sublimit is now \$5,000,000 with an aggregate and a 48 hours Qualifying Period in lieu of \$10,000,000 with a 48 hour Qualifying Period
- Endorsement #7 Utilities is deleted and the standard policy wording prevails
- Endorsement #11 Underground Property item #1 is deleted and replaced by the following: “Underground piping beyond a 1,000 foot radius of covered building or structure.”
- Endorsement #18 “A Scheduled Location” is deleted.
- Endorsement #20 Tenant Relocation is deleted and replaced by Zurich’s Tenant Relocation Endorsement.
- Endorsement #21 Qualifying Period is deleted.
- APD Non-Police Emergency Vehicle Valuation change: Amend 15 years to 10 years.
- The high hazard Named Storm deductible is changed by increasing the occurrence aggregate to \$2.5m.

■ Coverage Changes / Options

Excess Liability (Munich)

Changes

- Terrorism Aggregate of \$20,000,000 Per Occurrence
- Exclusion for any occurrence covered under the POL/EPL insuring agreement

Option Chosen

- Add Optional Excess POL/EPL (\$8m x \$2m)
 - Retroactive Date will be the sooner of 1/1/2011 or the member's current retroactive date.
 - Group Aggregate of \$32,000,000

■ Coverage Changes / Options

Excess Liability (Chubb)

Changes

- Notable changes
 - Virus/Communicable Disease exclusion

■ Coverage Changes / Options

Workers' Compensation

Changes

- Removal of “Same Communicable Disease” endorsement
 - Communicable Diseases are still covered per Workers' Compensation law, but each employee contracting the virus is its own occurrence

■ Coverage Changes / Options

Cyber

Changes

- Reach out to the MEL or your Risk Manager for details

Contacts



THANK YOU

Questions? Comments?



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