

MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND

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BULLETIN MEL 22-02

Date: January 18, 2022 *Revised*
To: Fund Commissioners of Member Joint Insurance Funds
From: Underwriting Manager, Conner Strong & Buckelew
Re: 2022 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. This bulletin does not apply to the Boards of Education members of the Suburban Metro JIF. Anything Property in this bulletin does not apply to members not participating in the MEL Property program.

Attached is an overview of the 2022 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



2022 Renewal Overview

Municipal Excess Liability Joint Insurance Fund

January 18, 2022



Renewal Overview



Renewal Overview

As presented during our Pre-Renewal Presentation in August, we are still at the peak of a hard market, which is probably the most difficult hard market since the mid-1980s. Practically every line of coverage is being impacted in their own way by their own unique claims trends, with very few areas jumping on the rate-increase train.

- **Property** – Increasing frequency and severity of natural disasters (flood, wind, fires, etc.), plus a return of the classical fire and water damage losses. Less interest by insurers to put out large capacity. Aging buildings and infrastructure and rising building costs become critical issues. Shifting capacity due to investor pressure.
- **Liability** – “Social inflation”. Claim severity is up by about 300% over past seven years, with some erosion of public entity immunities and volatile sentiment of the public/juries. Most insurers have already cut back capacity to \$5m or less, with increases in retentions. Law enforcement continues to be problematic, along with aging infrastructure (bridges, dams, roadways, etc.). Sexual Abuse/Molestation coverage is limited, with required policies and training.
- **Workers’ Compensation** – COVID-19 trends, including the impact of “long-COVID”. Increase in medical costs and compensation, plus increasing presumptions.
- **Public Officials / Employment Practices** – The employment practices frequency in claims trends continue, with added financial pressure from social inflation.
- **Cyber** – Staggering increase in frequency and severity of ransomware, as well as the incalculable impact of widespread cyber events (i.e. Solar Wind, Microsoft Zero Day, AWS downtime, etc.). Nearly no interest of insurers to write public entities due to claims history and lack of critical minimum controls.

The cornerstone of successful renewals in today’s environment is partnering with insurers interested in long-term relationships with a track history of being as steady as possible through renewals. The MEL has spent much effort through the years to identify these insurers, while recognizing it needs to remain vigilant as changes are needed from time to time. At this year’s renewal, the coverages needing heavy marketing were the Property, Workers’ Compensation and Cyber.

The next page provides an overview of key changes for this renewal; however, it is important to review the full presentation for all details, as well as the insurance policies upon issuance. There have been many changes between the new insurers, updated policy forms and shifting coverages in all lines of coverage. You will also find a page of important tasks for risk managers to work on with their members.

As we pass through our third renewal in a difficult market, we sincerely thank all of you for your assistance, support, patience and confidence in us. We could not accomplish what we have without you. We are extremely proud to say we achieved a strong renewal at an overall rate increase of less than 11%.

■ Key Coverage Changes

■ Property

- New Property form
- Time Element: 12 Months
- Delay In Completion is no longer covered
- Fine Arts has a \$100,000 sublimit per item
- Historic Property Preservation has a \$500,000 sublimit, and the property is only eligible if on an official federal, state or local register; special historic appraisals are required prior to a claim
- Spoilage Service Interruption added with a \$100,000 sublimit
- Zurich is using custom flood zones instead of FEMA definitions, so some of your non-high hazard FEMA zoned locations are in Zurich's "High Hazard" zone now
- Unnamed/Miscellaneous/Newly Acquired Locations only receive a maximum of \$5,000,000 for Flood, subject to all other terms
- Vehicles: \$10,000,000
- Accounts Receivable, Deferred Payments, Fire Department Service Charge and Debris Removal now included to full limit
- Excess Flood limit reduced from \$50m to \$25m excess of \$50m.

■ Casualty (\$10m x \$20m)

- Program aggregate of \$50,000,000; previously had no aggregate
- Sexual Abuse/Molestation is sublimited to \$10,000,000 aggregate; previously had no sublimit
- Full Cyber exclusion added



Key Tasks for 2022



■ Key Tasks for 2022

Property

- Clean the Statement of Values: Complete COPE info for all buildings, accurately label locations, only a single building per line (no multiple locations in one), accurate addressees, etc.
- Ensure all values are listed, and appropriately.
- Fine Arts should be available in an itemized format with proof of valuation. If any are over/near \$2.1m, we should review coverage.
- Properties looking for historical valuation must be on a proper federal, state or local historical register, and a special historical appraisal must be on file prior to loss. At the 2023 renewal, historical valuation will not be available for any properties without an appraisal. An increased limit (\$5m max) is available from Zurich, but must be underwritten.
- Maximum available NFIP limits should be purchased for all locations identified as a Special Flood Hazard Area (SFHA) by NFIP, and consider purchasing the same for any locations not deemed as FEMA SFHA, but on Zurich's list of "High Hazard" locations. Please note, the MEL and its professionals do not run flood zones for members and do not provide NFIP coverage or similar.
- Since Flood of Unnamed/Miscellaneous locations is limited to \$5m, ensure timely notice of new large properties.

Liability

- Complete details on sponsored programs involving minors. Confirmation background checks are performed on all staff (including volunteers) for all of these programs.
- Dams and major bridges should be scheduled, and current engineering inspection reports uploaded for both (regulation requires these reports every 2-4 years on average).

Cyber

- Information forthcoming from MEL Cyber Committee.

POL / EPL

- Any members with a \$2,500 retention should consider increasing to at least \$5,000 in 2023 for premium savings.



Coverage Change Details



Coverage Changes

Property

Changes

Zurich has switched its coverage form entirely this year (for all insureds) from the Edge I to the Edge II. Since it is a completely new form, many things have changed, as outlined in their Non-Renewal Notice and Quotation Notice. Following are certain key items we want to make note of:

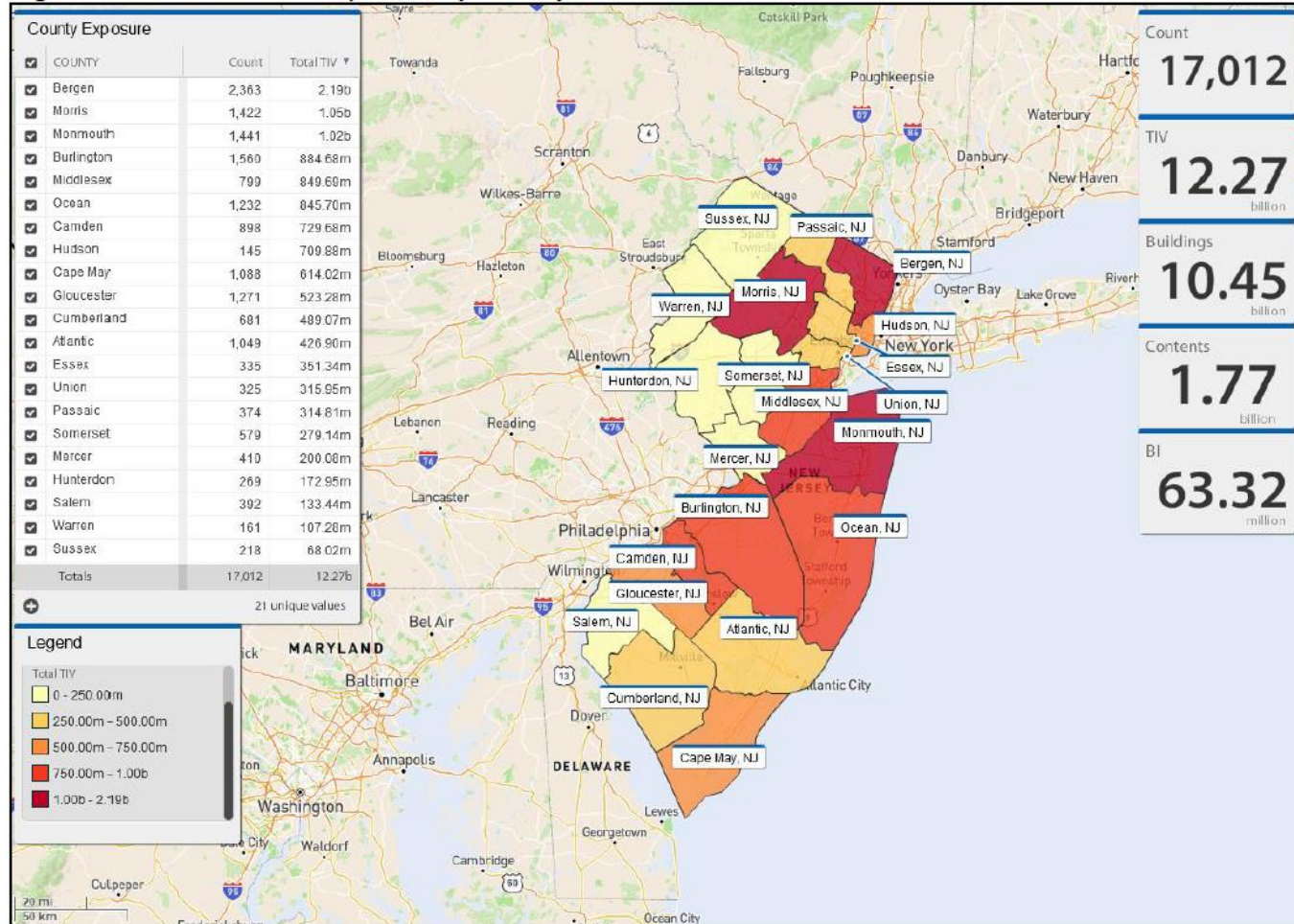
- Capacity decreased from 90% to 75%.
- Gross Earnings / Gross Profits (Time Element) is limited to 12 Months; previously did not have a time limitation.
- Bridges, dams, docks, wharfs, etc. are being handled by a new coverage called Completed Civil Engineering Structures; however, our manuscript coverage will prevail.
- Delay In Completion, a Builder's Risk Time Element coverage, is no longer provided.
- Fine Arts now has a \$100,000 sublimit per item; previously did not have a sublimit per item.
- Zurich is handling historic property valuation coverage via its new Historical Building Preservation coverage, which Zurich is going to limit to \$500,000; previously was included to full limit.
- The Newly Acquired coverage is now Per Occurrence instead of Per Location.
- Spoilage From On Premises Service Interruption is a new coverage added with a \$100,000 sublimit.
- Tenants Access is now limited to 90 days; previously did not have a time limitation.
- Tenants Relocation and Replacement Expenses is limited to 365 days; previously did not have a time limitation.
- The Equipment Breakdown sub-coverage of Ammonia Contamination is now expanded to all Refrigerants.
- Flood Changes:
 - Zurich is no longer using FEMA flood zones; they are using their own zones called Medium and High Hazard. Medium Hazard does not come with any limitations compared to other non-zone locations. The High Hazard zone replaces Special Flood Hazard Area (SFHA).
 - Flood is limited to \$5,000,000 for Errors & Omissions, Miscellaneous Personal Property/Unnamed Locations, Newly Acquired and Transit coverages.
- Maximum Flood deductible per occurrence is \$3,000,000; this was previously unlimited.
- The previous deductible language for Flood, Quake and Named Storm of "This deductible applies regardless of any other deductible." has been deleted, and none of these deductibles are "Per Location", indicating just the single largest deductible of the occurrence will apply.
- The Vehicles limit is being reduced to \$10,000,000, and over-the-road coverage is no longer provided. Limit was previously \$15,000,000.
- Coverage added for fill beneath Land Improvements, bridges, dams, etc.
- Transmission and Distribution lines now covered for 2,000 feet beyond Insured Location; previously was 1,000 feet.
- Gross Profit option added to Time Element, in addition to the already existing Gross Earnings option.
- Accounts Receivable, Deferred Payments, Fire Department Service Charge and Debris Removal now included to full limit; previously were sublimited to \$25,000,000 or less.
- The Cyber coverages/terms continue to evolve, but physical damage caused by peril of cyber and damage to non-tangibles (data) are still largely excluded.

Coverage Changes

Property

Catastrophe Study

Figure 1.2: MELJIF TIV Exposure by County

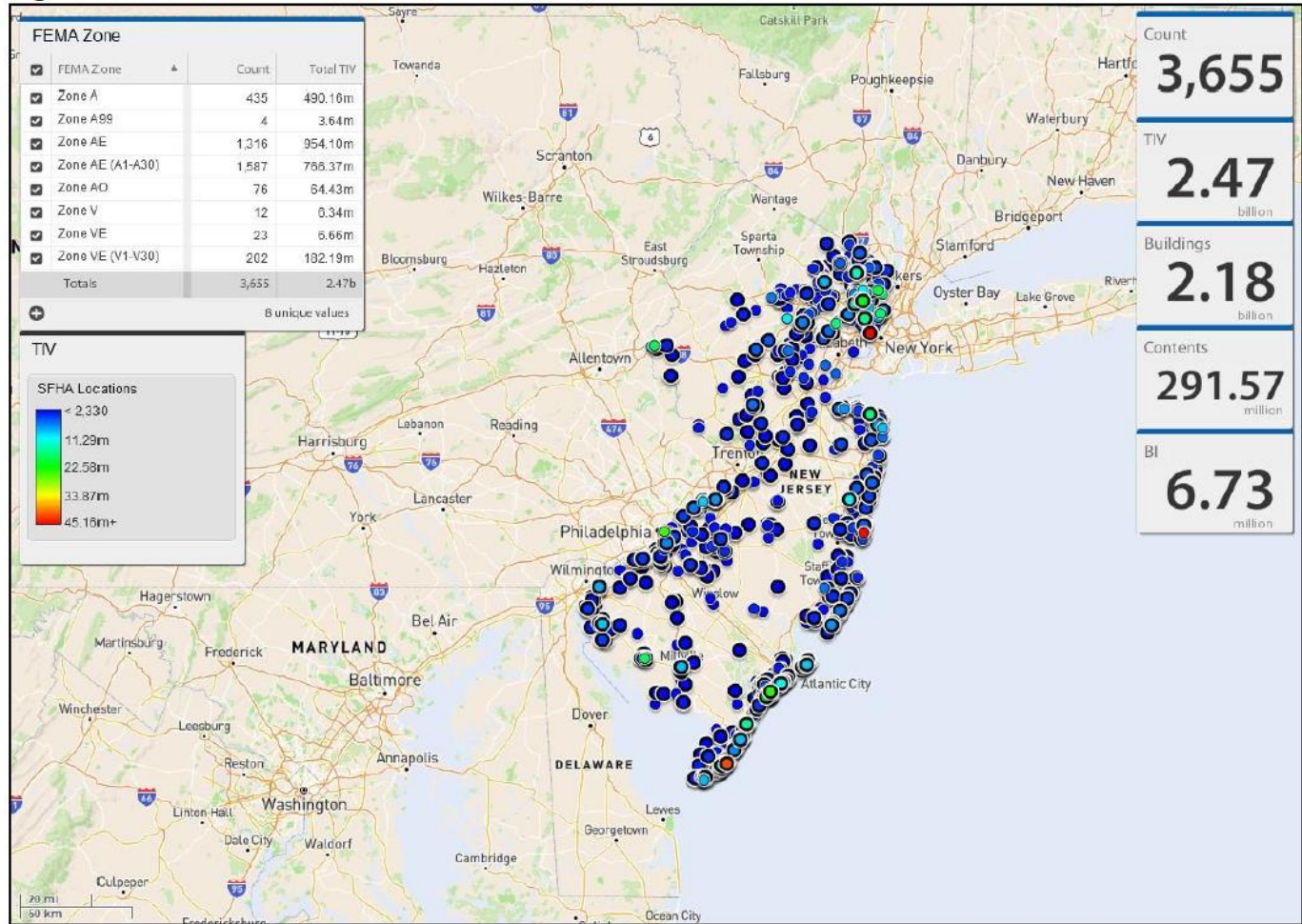


Coverage Changes

Property

Catastrophe Study

Figure 1.3: MELJIF SFHA Flood Zone Locations.



■ Coverage Changes

Liability

Changes

- Munich (\$15m x \$5m Casualty and \$8m x \$2m POL/EPL): None
- Chubb (\$10m x \$20m Casualty):
 - Program aggregate of \$50,000,000; previously had no aggregate
 - Sexual Abuse/Molestation is sublimited to \$10,000,000 aggregate; previously had no sublimit
 - Full Cyber exclusion added

■ Coverage Changes

Workers' Compensation

Changes

- None

Coverage Changes

Public Officials / Employment Practices

Changes

- None.

■ Coverage Changes

Cyber

Changes

- Some general form updates, but no notable coverage changes.

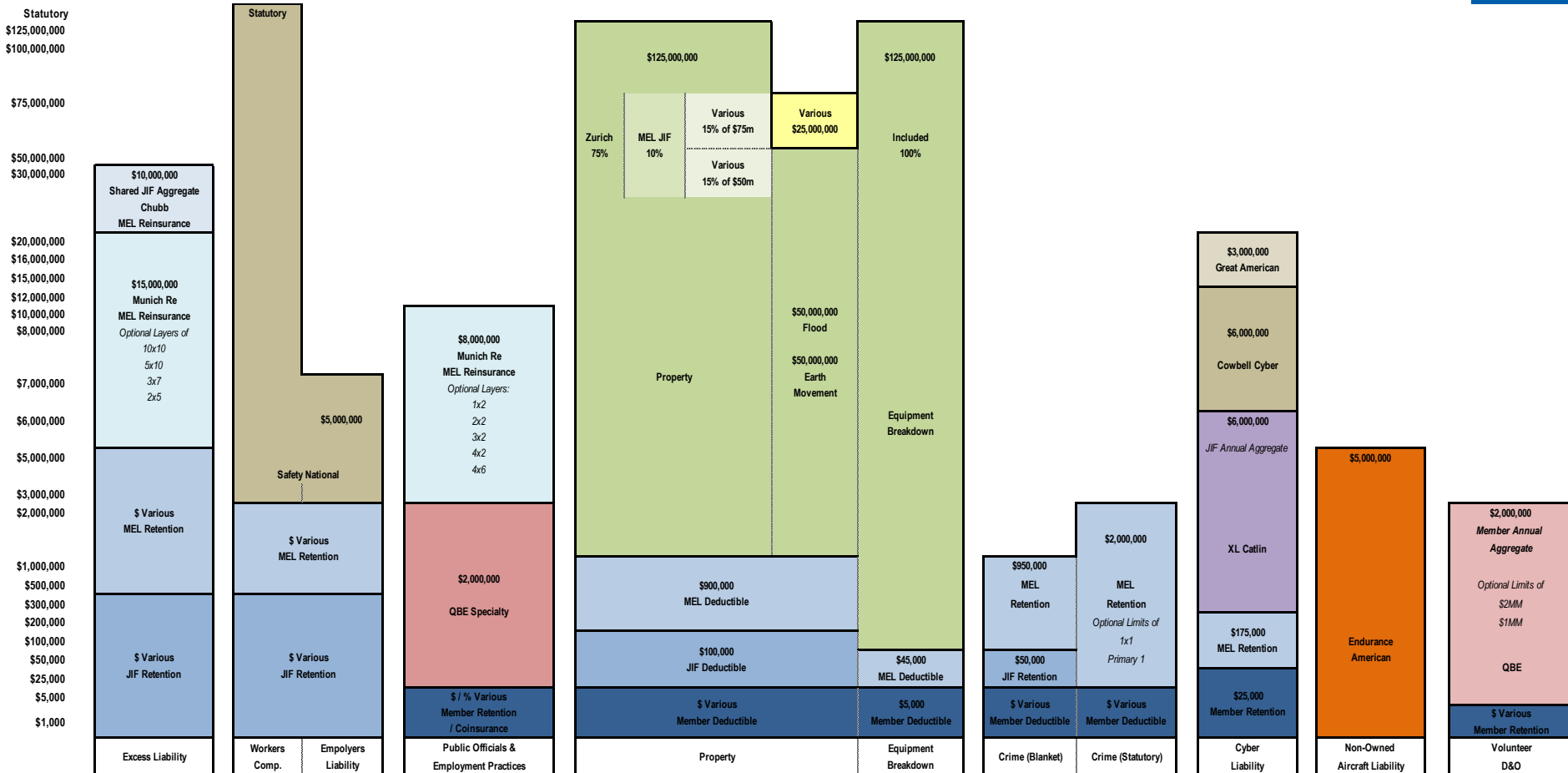
■ Coverage Changes

Non-Owned Aircraft

Changes

- None.

Renewal Schematic



This is a brief summary of your insurance program and acts as a quick reference guide for your convenience only. Please note the actual policy terms, conditions, exclusions, etc. will apply in the event of a claim.



Thank You



THANK YOU

Questions? Comments?



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