MUNICIPAL EXCESS LIABILITY JOINT INSURANCE FUND
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BULLETIN MEL 18-02

Date: **January 1, 2018**

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

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

Re: **2018 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 2018 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

Executive Summary

We would like to thank you for the continued confidence in allowing us to bind coverage on your behalf. We are pleased to present our Property & Casualty Confirmation of Insurance for the 01/01/2018 – 01/01/2019 policy period.

In our pre-renewal planning meeting we discussed a number of goals to address regarding your 01/01/2018 renewal aside from obtaining favorable renewal terms from our incumbent markets. The goals were as follows:

Property

- Market the primary $125m
- Explore buffer options

Casualty

- Expand relationship with Brit

Public Officials / Employment Practices

- Market the program

Cyber

- Market the program
- Obtain broader coverage / offerings

Medical Malpractice

- Market the program

Property

The insurance market saw one of its toughest and most volatile hurricane seasons this year, coupled with simultaneous significant wildfires. Most of the events pushed the storm models to new extremes, requiring redefinition of certain event categories and hazard areas. The Property market was more financially prepared for events like these than ever before in history, but the number of these extreme events nevertheless caused significant losses and required many insurers to dip into their capital. As such, we saw a tightening in terms and conditions in the new hazard areas, as well as macro and micro price hardening.

Initial discussions with your incumbent, Zurich, focused primarily on historical losses. Zurich began by looking for a flat rate with an increase in deductible from $100,000 to $250,000. This was a very favorable offering compared to the very negative, three year loss history.

Per the NJCE's request, we marketed Zurich's primary layer with no competitive results to Zurich's offering. We also marketed a few buffer options, but these results came in above the cost to self-insure. In the end, we were able to have Zurich agree to a 9% rate increase and a flat deductible.

Our Excess Property markets were also affected by the terrible catastrophe year, but we were able to obtain results well below the market. The overall rate increase on the excess layers were 3% and 5%.

The overall Property program saw an 8% increase over adjusted expiring for this renewal with the same terms and conditions.

Casualty

The continued, positive partnership with your primary insurer, Brit, has resulted in a flat renewal despite large increases in exposure. We also had Brit provide a second option for $15m/$20m limits to all member entities. This alternative option helped us expand our relationship with Brit and achieve much economies of scale.

As discussed thoroughly through the year, National Casualty (excess incumbent) has completely left the public entity space. We went to numerous insurers in the marketplace to replace it. Many alternatives came to the table, but Argonaut was by far providing the strongest options.

Overall, the Casualty program saw a 5% decrease below adjusted expiring.

Workers' Compensation

As was thoroughly discussed during the year, Wesco (buffer incumbent) has exited the public entity space, and so we went to the market to replace it. Brit and Great American were the two insurers to provide viable options to replace Wesco. Great American came in with lower pricing than Brit, but Brit was able to offer clash coverage with the Casualty program by writing with it which could make up the difference. In the end, the decision was made to bind with Brit.

Safety National, the incumbent excess insurer, has continued to be a strong partner for the NJCE. We enter the second year of a two-year agreement with Safety with an agreed to 3% rate decrease.

The overall Workers' Compensation program is 7% above the adjusted expiring.

Non-Owned Aircraft Liability

Endurance (W. Brown) offered a flat renewal.

Public Officials / Employment Practices Liability

NJCE's incumbent insurer, AIG, initially offered a renewal with a 10% increase. Further negotiations brought them to a 5% decrease.

As previously stated, we embarked on a marketing effort to replace AIG. In the end, Chubb came out with the best alternative option with two significant advantages: 1) 22% (~$300k) price reduction; 2) $100k settlement authority (or 50% of retention if less) for in-house counsel.

The settlement authority has been a significant sticking point for members, which AIG has not been able to meet. Just before renewal, AIG eventually offered this, but could not meet the price. In the end, the NJCE selected the Chubb alternative option.

Cyber

AIG, the incumbent Cyber insurer, offered a renewal 7% below expiring.

As previously stated, we embarked on a marketing effort in conjunction with the POL/EPL. Chubb and XL came with the best alternative options. XL had identical terms and was offering a significant premium savings over expiring. Chubb came in with better terms at a 4% savings over expiring. Three highlights of Chubb's option are: 1) $0 breach counsel deductible; 2) commission-wide policies (larger aggregates); and 3) a fund for employee cyber training.

In the end, Chubb was selected in conjunction with the POL/EPL.

Crime

Your incumbent Crime insurer, AIG, offered a flat renewal.

Employed Lawyers

Chubb is the incumbent insurer for the Employed Lawyers program. Chubb is able to deliver an overall 4% decrease in rate.

Medical Malpractice

Your incumbent insurer, AIG, proposed a 6% increase.

As previously discussed, we embarked on a marketing effort yielding one clear alternative: Ironshore. Ironshore was able to quote a competitive alternative, matching all terms and deductibles, with an $11,000,000/$13,000,000 limit. One of the other insurers very interested in the program was Chubb, so we asked them to quote the remaining $10,000,000 excess, leveraging the potential relationship with the Cyber and POL/EPL.

In the end, the Ironshore/Chubb alternative came in just lower than AIG.

Conclusion

We sincerely appreciate all of the effort and support provided by you and your staff during this renewal. Overall, we think you will be pleased with the results we were able to negotiate on your behalf.

Below is a premium summary. Included in the chart are the adjusted figures, representing the expiring rates applied to the renewal exposures; this provides a true "apples-to-apples" comparison.

Despite the various challenges through this renewal, we obtained a very favorable result: 1% above adjusted expiring, expanded terms and conditions, and a stronger program.

Coverages	2017	Adjusted Expiring	2018	Adjusted Delta	
				$	%
Property	$4,923,657	$5,121,210	$5,556,348	$435,138	8%
Casualty	$3,618,815	$3,763,256	$3,571,266	-$191,990	-5%
Workers' Compensation	$3,056,921	$2,981,917	$3,202,170	$220,253	7%
Public Officials / EPL	$1,395,783	$1,395,783	$1,091,594	-$304,189	-22%
Crime	$136,402	$136,402	$136,402	$0	0%
Medical Malpractice	$643,183	$643,183	$663,214	$20,031	3%
Employed Lawyers	$169,975	$165,582	$158,589	-$6,993	-4%
Non-Owned Aircraft	$32,381	$32,381	$32,000	-$381	-1%
Cyber	$287,426	$287,426	$275,010	-$12,416	-4%
Total	**$14,264,543**	**$14,527,140**	**$14,686,593**	**$159,453**	**1%**

When your policies are issued by your insurers for the 2018 coverage term, Conner Strong & Buckelew will review these policies against the negotiated coverages that were bound to ensure the policies are accurate. The policies will then be provided to PERMA for your files.

We have completed the issuance of renewal Auto ID cards, Workers' Compensation posting notices and renewal Certificates of Insurance.

The Coverage Bulletins are being posted to the NJCE website and Risk Management Plans are distributed. Finally, we will also work with you on the various state filings.

Respectfully,

Edward J. Cooney, MBA
Vice President / Account Executive, NJCE Underwriting Manager
Conner Strong & Buckelew