

GARDEN STATE MUNICIPAL JOINT INSURANCE FUND

Date: January 16, 2014

To: GSMJIF Fund Commissioners

From: Fund Insurance Broker

Re: 2014 Property and Casualty Insurance Renewal Overview

Enclosed is an overview of the **2014** GSMJIF Property and Casualty insurance renewal program.

The major program change for 2014 is a change in insurance carriers for the Cyber Liability and Crime insurance programs.

The GSMJIF's excess insurance program was renewed maintaining a similar structure to the 2013 program, with some movement in insurer participants. Despite challenging market conditions in certain lines, notably Excess Workers Compensation, Excess Property and Excess Flood, the GSMJIF was able to maintain the insurance program with a blended effective -.005% rate reduction, reflecting the markets' ongoing and increasing confidence in the Garden State Municipal JIF's ability to control losses and produce positive results for all stakeholders.

PLEASE NOTE:

This overview is intended to give GSMJIF Members a general overview of major program changes from 2013. It is not an in-depth technical analysis and is not meant to serve in place of the policies, which will be provided to the members' risk managers in due course. In the event that there is any conflict between the policy terms and the brief summaries herein, the policies shall in all cases prevail.

GSMJIF 2014 PROPERTY AND CASUALTY INSURANCE RENEWAL OVERVIEW

Following is a summary of the outcome of the renewal negotiations by line of coverage:

Excess Property: Travelers Indemnity

Some of our GSMJIF members suffered significant damage from Hurricane Sandy, and the overall loss to the insurance industry was substantial. As a result, Travelers sought an increase in the premium rate, as well as reductions in sublimits, for the 2013 property renewal. After much negotiation, Travelers took the long view and will continue to provide the expiring policy limit and sub-limits for CAT perils such as Windstorm and Flood. The final pricing, retaining the expiring policy limit and sub-limits, reflects a 1.3% rate increase, which is significantly less than it had proposed and compares favorably with the pricing and terms available from competing markets.

The policy per occurrence limit of \$600 million (wind and fire) and all policy sub-limits have renewed as expiring.

The policy deductibles have renewed as expiring including the per occurrence deductible, the "named storm" deductible and flood deductible.

Boiler and Machinery: Travelers Property Casualty Company of America

Travelers renewed at the expiring \$100M policy limit with an improvement in the sublimit for Ordinance or Law (up from \$10M to \$25M) and all other limits as expiring. The \$25,000 Property Damage deductible and the 24 hour Business Income deductible are also as expiring; Extra Expense and Spoilage deductibles are included in the Business Income deductible. Travelers renewed at a rate increase of 9.1% over the 2013 rate.

Excess Flood (Zone A): Aspen Specialty Insurance Company

GSMJIF elected to increase its coverage from 50% of this layer to 100%. Current insurer Aspen delivered a very competitive renewal quote, and wrote 100% of \$3M in excess of the Travelers' \$2M Flood Zone A coverage. Pricing of the 32 renewing members was an effective rate decrease of .8% vs. 2013, at a cost well below all other competing offers.

All-Lines Excess and Aggregate Excess: Brit Syndicate, Lloyd's of London

The All-Lines Excess and Aggregate Excess policy is the centerpiece of the excess insurance program, providing \$10M in limits for most of the specific excess coverages (including SIRs), \$5M in Excess Employers Liability in excess of the placement with Safety National, and \$5M of Excess Loss Fund Protection. Brit agreed to renew at a rate of 1 % below the 2013 program rate for the continuing members, with no material change in specific excess or aggregate limits, aggregate loss fund, or retention levels. Brit has also provided very competitive terms to cover the new members. The policy continues to provide excess Workers Compensation / Employers Liability, General Liability, Automobile, Public Officials E&O, Law Enforcement Activities Liability, Employee Benefits Liability, Garagekeepers' Legal Liability, Clash protection, and Excess Loss Fund (aggregate) Protection. TRIA terrorism is covered, as are Sexual Harassment and Sex Abuse. Coverage terms are as expiring.

Excess Liability – Catlin Specialty Insurance Company

Catlin provides \$5M limits in excess of the All Lines Excess specific coverage, bringing the total coverage to \$15M, including SIRs (for Employers Liability, the total Limit is \$13M). Catlin offered renewal at the expiring rate, for continuing and new members. Coverage is as expiring as to rate, limit, retention and terms of coverage.

Excess Workers Compensation – Safety National Casualty Corp.

Safety National continues to provide statutory limits for excess Workers Compensation, and \$2M of coverage for Employers Liability, in excess of \$1M (the retention is the total of the \$750K SIR and \$250K coverage provided in the Brit all lines excess policy). Safety National increased its 2013 rate by 10% for this renewal, based largely on its poor WC claims experience nationwide for police officers and other emergency responders. Safety National continues to be the U.S. market leader in terms of price and knowledge of public entity business. Coverage terms are unchanged from 2013.

Non Owned Aircraft Liability – Global Aerospace

Global Aerospace has renewed its \$5M limit on the Business Non-Owned Aircraft Liability Insurance form, at the same rate as the 2013 coverage. TRIA coverage is included. The coverage applies to non-owned aircraft with a maximum of twenty passenger seats. Global Aerospace writes on behalf of four highly rated carriers which each takes a percentage share of liability.

Cyber Liability - Beazley Insurance Company, Inc.

GSMJIF moved the Cyber liability policy from Mt. Hawley Insurance Company to market leader Beazley Insurance Company, Inc. effective January 1, 2014. Beazley provides a \$500,000 annual aggregate applicable to each member, sublimits per major line of coverage of \$500,000 and an overall \$2,500,000 aggregate limit of liability. Beazley's per member aggregate limit compares with the 2013 program's \$250,000 limit per member, which applied in the aggregate per coverage; the Beazley limit is considered superior as it gives twice as much coverage for a single loss, or an aggregation of losses in a single coverage. Beazley's pricing with the higher per member limit was the most competitive offered and only 1% higher than the 2013 price at the \$250,000 per member limit; with the improvement in per member sub-limits, the 2014 effective rate is significantly lower than in 2013.

Crime Insurance – Zurich Group

GSMJIF moved the Crime insurance policy from Travelers Insurance Co. to market leader Zurich Group (Fidelity & Deposit of MD) effective January 1, 2014. The Crime insurance was previously placed as a two-year policy expiring 1/1/2014. The incumbent offered renewal options with rate increases above the range considered acceptable by the GSMJIF in relation to experience and market conditions. The Zurich Group offered equivalent insurance terms at a cost reduction of approximately 55% less than the incumbent's renewal price. The Zurich policy replicates the 2013 program, and also broadens the 'Faithful Performance' coverage extension to include firefighter and police officers. The optional Position Bonds (statutory) coverage continues to be included in the program, subject to submission and approval of the member's bonded positions.

Optional Public Entity Pollution Liability Insurance –ACE American Insurance Company

The ACE Group continues to provide \$1M per Pollution Condition, subject to a \$3M aggregate sublimit per municipality and a policy aggregate of \$25M. There is a deductible of \$25K per Pollution Condition. The coverage applies only to GSMJIF members who apply to participate and are accepted by ACE. For 2014 there are 25 member municipalities. ACE renewed the 2013 participating members at expiring rates and rated the new participants with similar competitiveness. Optional coverage for underground storage tank liability is written via individual policies and applies only to GSMJIF members who apply to participate and are accepted by ACE.