

December 29, 1986

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 24 (1986)

TO: Chief Executive Officer

Chief Operating Officer

Chief Underwriting Officer

Chief Government Affairs Officer

OF: ALL PROPERTY/CASUALTY INSURANCE COMPANIES AUTHORIZED TO WRITE GENERAL LIABILITY INSURANCE IN THIS STATE

RE: MISCELLANEOUS GENERAL LIABILITY MARKET ASSISTANCE PROGRAM

With the cooperation of responsible insurance carriers and producers under Insurance Department's auspices, vital insurance coverages have been obtained for many communities and consumers through the Liability Insurance Hotline and carefully designed Municipal, Community Service and Police Professional Market Assistance Programs (MAP). You should have also recently received a circular seeking subscription to a proposed Liquor Law Liability MAP, structured on a quota share basis with a qualified servicing carrier. These MAP efforts are designed to provide critical coverage through the most effective means, while doing everything possible to rejuvenate voluntary insurance markets in this State.

The Department held a public hearing earlier this month to consider whether the New York Property Insurance Underwriting Association (NYPUIA) should be activated for Winter recreational activities, liquor law liability, small business, or any other problem liability insurance market.

In light of the First Amendment to Regulation No. 121 (promulgated this week on an emergency basis), it has been determined that triggering the, JUA for ski resort liability is not necessary at' this time. In addition, recent filings have been made in regard to. ski tours, while the Hotline has been largely successful in finding coverage for ice skating rinks.

At and after the Insurance Department's December 1, 1986 hearing to determine whether a JUA was required for various liability coverages, new voluntary sources for liquor law liability have emerged. In light of these developments, the Department is evaluating whether the voluntary market can provide this particular coverage in sufficient quality and quantity - - unfacilitated by MAP efforts and without triggering the JUA.

Stimulated by recent omnibus legislation, the insurance marketplace is improving in New York State. We believe that a Market Assistance Program for Miscellaneous General Liability, including small businesses, will help restore stability while the market is recovering. Small business is essential to the prosperity and growth of this State and the insurance industry. Through the Department's Hotline, many - - but not all - - small businesses have been able to find the liability insurance protection they need in order to do business. The loss of any responsible business, if it cannot

begin, continue or expand due to insurance difficulties, does serious damage to economic development and employment.

Industry representatives at the public hearing urged that a market assistance program represents the best approach for small business and other, miscellaneous liability risks. Your company's participation is therefore requested in order to implement a Miscellaneous General Liability MAP, structured as described in the attached MGLMAP Plan of Operations.

Because this mainstreet business is mainstream business for many insurers, small and large, we think it realistic to expect that at least 50 capable insurers will elect to participate in the MGLMAP rotation. In comparison, 21 insurers participate in, the Municipal MAP rotation that, in contrast, requires significantly greater size and specialized expertise. Major producer organizations, such as IANY and PIANY, have already agreed to cooperate in the MGLMAP effort.

If you have any comments or questions, please contact Deputy Superintendent Richard lisle (212-602-0414).. Please signify: whether or not your company will participate in the IELMAP rotation, by directing a written response, to be received no later than January 16, to the attention of:

Arnold Braun, CPA (212-602-0375)

Senior Instrance Examiner

Property & Casualty Insurance Bureau

New York State Insurance Department

160 West Broadway

New York, New York 10013

Under all the circumstances, we do not think that 1.E MAP will be flooded with applicants. Rather, a voluntary mechanism will be in place to serve, to the extent necessary, as an appropriate safety valve. These temporary MAP efforts, if supported by the insurance industry, should be able to meet any pressing needs, which otherwise would require activation of the more persistent JUA mechanism.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

SUPERINTENINNT OF INSURANCE

MISCELLANEOUS GFNERAL LIABILITY

MARKET ASSISTANCE PROGRAM

PLAN OF OPERATIONS

The Executive Committee of the Miscellaneous General Liability Market Assistance Program (MGLMAP) has agreed to implement a formal rotation plan for assignment of risks to participating insurers. The following is a summary of the major provisions of the MGLMAP rotation plan:

A. Eligibility - - Any Commercial Liability Insurance Risk (including small businesses), not handled through

existing Municipal, Police Professional and Community Service Market Assistance Programs, except:

1. Winter Recreational Liability;
2. Aviation & Marine Liability;
3. Professional Liability; and
4. Liquor Law Liability.

B. MGLMAP Applications.

1. Producers on behalf of insureds must contact the Insurance Department Hotline and exhaust all referrals provided. The Insurance Department Hotline is 800-522-4370.

2. Producers may then contact either the Hotline or the Independent Insurance Agents Association of New York (IIAANY) at 800342-70660 for a MGLMAP applications.

3. The MLMAP application shall then be submitted to IIANY with the names of three insurers that have declined to write the risk and, if applicable, a copy of the last nonrenewal or cancellation notice received by the insured.

4. Any business that was in existence on or prior to January 1, 1982 must have, been insured for at least one year during the period 1982 through 1986. New businesses are eligible to apply to MCIMAP.

5. The Acord form 125-S (11/85). Commercial application will be used, and shall be accompanied by a producer of record letter and a \$ 75 application fee.

6. The MS AP application shall be submitted to IIANY at 109 Twin Oaks Drive, Syracuse, New York 13206.

C. Minimum Premium -- The minimum policy premium shall be \$ 300.

D. Policy Limits and Types -- The maximum policy limits shall be \$ 500,000 per occurrence, except that limits may be increased to \$ 1,000,000 when required by contractual agreement, permits or statute. Claims-made policies may be written where and in the manner authorized by Regulation No. 121.

F. Commissions.

1. Agents licensed by accepting insurers -- the rate of commission payable to the producing agent who has been appointed by the accepting insurer shall be the standard commission between the company and agent for, that type of business.

2. Agents not licensed by the accepting insurer:

(a) Except as provided in subsection (b), every insurer accepting an application from a producing agent who has not been appointed by the insurer shall pay the producing agent a commission in conformity with the insurer's filed rates, rating plans, or manuals for file: type, of insurance affected, provided that in no event shall the commission exceed ten percent (10%) of the premium.

(b) A direct Writing insurer may elect not to pay the producing agent any commission and quote the policy on a net basis, and the insured may pay a service fee, as agreed in the application, not to exceed ten percent (10%) of the premium.

F. Rotation Plan

Applications will be assigned to carriers on a rotation plan based upon general liability insurance premium market share. Carriers will be expected to accept one out of every two risks assigned under the rotation plan.

Risks that have been rejected by three carriers under the rotation plan will be referred to the Underwriting Committee for review and recommendations.