

May 23, 1988

SUBJECT: INSURANCE

WITHDRAWN

Circular Letter No. 16 (1988)

TO: PARTICIPATING PROPERTY/CASUALTY INSURERS AND INSURER & PRODUCER TRADE ORGANIZATIONS IN MUNICIPAL MARKET ASSISTANCE PROGRAM (MMAP)

RE: SYSTEMATIC CESSATION OF MMAP OPERATIONS

With the sustained participation of responsible insurers and producers working under Insurance Department auspices, the Municipal Market Assistance Program (MMAP), which commenced formal operations in December 1985, has successfully assisted hundreds of municipalities and other public entities across New York State in obtaining vital general liability insurance coverage during the liability insurance crisis. By All accounts, our MMAP proved to be the most effective MAP in the country.

A primary purpose of this Circular Letter is to again acknowledge, and express appreciation for, the critical role played by MMAP insurer participants. Valuable administrative assistance has been provided by the Independent insurance Agents of New York and the Professional Insurance Agents of New-York. The ideas and support of the major principal-organizations, the Conference of Mayors, Association of Towns. Association of Counties, and the School Board Association, were instrumental. Through Municipal MAP efforts. many communities throughout the State were able to continue to provide essential services, despite daunting circumstances.

Another major purpose of this Circular Letter is to reiterate, that fully voluntary insurance markets are highly preferred and that, accordingly, MAP mechanisms are designed to be temporary features, not permanent fixtures of the insurance landscape in this State. Therefore, Municipal MAP operations should continue only so long as the need exists and market conditions warrant.

After More than two years of MMAP operations, market conditions for municipal liability insurance have improved, with a number of insurers now actively writing municipal policyholders in the voluntary market. At the height of the crisis, MMAP covered more than 300 communities. Although the crisis has receded. about 150 municipalities still remain in MMAP. Yet few (if any) of these appear to be residual, much less uninsurable; risks. Every risk written by MMAP was in effect determined upon review to be insurable by the MMAP Underwriting and Executive Committees.

At this juncture, we believe it desirable to give clear indications to all involved of the speed and direction that MMAP will take, in order to give ample time, meaningful opportunity and real incentives for municipalities to seek municipal liability insurers, for insurers to solicit municipalities and assess their insurance needs, and for producers to search out municipal liability insurance quotes, in the voluntary market.

In this light, the Department held a meeting on April 14, 1988 with representatives of MMAP participating insurers, producer organizations, and municipal organizations to discuss the status and future of MMAP. As a result of our April 14th discussion, the Municipal Market Assistance Program will wind-down and phase-out according to the following

schedule:

1. On and after September 1, 1988, no new business will be accepted in MMAP.
2. On and after July 1, 1989, no renewal business will be written through MMAP auspices. Thus MMAP policies will be renewed only if the effective date of renewal is June 30, 1989 or prior to that date. and any such renewals will be granted only where unsuccessful voluntary market placement efforts can be documented.

We ask MMAP insurer participants to continue their participation on this basis and, further, to give serious consideration to underwriting as regular business those municipalities remaining in MMAP. Where a particular municipality may be presently unable to meet reasonable underwriting criteria in the voluntary market, we urge the current MMAP carrier to provide realistic risk management or loss control recommendations, and urge that municipality to address and implement such recommendations insofar as feasible.

If any municipality or other public entity encounters problems in obtaining coverage in the voluntary, insurance, market, its representatives should contact Deputy Superintendent Richard C. Hsia (212-602-0414) or John Reiersen, Chief Examiner III. Property & Casualty Insurance Bureau (212-602-0387). Any questions or suggestions from participating insurers or producers should also be brought to the attention of Deputy Superintendent Hsia or Mr. Reiersen, who will also provide upon request a list of the municipalities remaining in MMAP. Please acknowledge in writing your receipt of this Circular Letter, by June 7, 1988, to Mr. Reiersen.

Very truly yours,

[SIGNATURE]

JAMES P. CORCORAN

SUPERINTENDENT OF INSURANCE