SCHOOL INSURANCE NEWSLETTER

January 2017

Insurance Market Update

There have been no significant changes since last reported, but prepare for increases in your next budget. For more see our August 2016 newsletter http://www.robertreim.com/wp-content/uploads/2016-August-School-Newsletter.pdf.

Land Improvements – Miscellaneous Outdoor Property

Items such as fences, light poles, bleachers, stadiums, playground equipment, tracks, playing surfaces and tennis courts can add up to a considerable value. Not all insurers provide coverage if such items are not included in the Property schedule. Land Improvements are not to be confused with Site Improvements: land, foundations, architectural plans, underground utilities, landscaping, sidewalks, parking lots and other items that would not be destroyed. Site improvements are not included in the calculation of Replacement Cost.

Blanket vs. Scheduled Property Insurance

Some risk pools provided Blanket Property coverage; i.e., protection is provided for all of the District's property whether or not it is shown at the correct Replacement value on the schedule. The policy limit applies to the total property covered. If a building is shown at $300,000 on the schedule and it costs $600,000 to replace with like kind and quality, the district would receive $600,000 once the building is replaced, unless the policy includes a co-insurance or margin clause. If the District upgrades the building or increases the size, the district would still only receive $600,000.

Many commercial insurance companies provide Scheduled Property coverage where the available insurance is limited to the value shown on the schedule. Since they do not provide appraisals, the District needs to be certain that buildings are shown at the current Replacement Cost Value (October 2016 newsletter www.robertreim.com).

Coinsurance

Property policies may contain a coinsurance clause, usually 80% (sometimes 90%). This clause requires that the property be scheduled at a value that is at least 80% of the replacement cost, in order to receive 100% reimbursement for a loss. Example 1: building replacement cost = 10,000,000 is scheduled at 9,000,000 (8,000,000 required); the loss is 100,000; therefore 100,000 would be paid (subject to the deductible). Example 2: building replacement cost = 10,000,000, is scheduled at 6,000,000; the loss is 100,000; therefore 6,000,000/8,000,000 (amount insured/amount required) of the loss or 75,000 would be paid (subject to the deductible).

Margin Clause

Such clauses usually require that insurance will pay no more than the required % of the replacement cost of the property damaged. Example - 10% Margin Clause: building replacement cost = 10,000,000 is scheduled at 8,000,000; in the event of a total loss, 8,800,000 would be the most that would be paid (8,000,000 x 110%).