

ROBERT V. REIM COMPANY

INSURANCE CONSULTING
BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

March 2017

Caveat

Unless a source has been named in these newsletters, information contained is based on my personal opinion and observations. "Heard on the Street" comments are only mentioned when they are identified as such and have been provided by two or more sources.

TAPS & Trident T.A.P.S. Confusion

"TAPS" is the commonly used name for the Texas Association of Public Schools Property and Liability Fund. In the future, we will refer to them as TAPSPLF. Readers should note that there is another Texas risk pool which serves public entities other than schools, known as T.A.P.S. - the Texas Association of Political Subdivisions Interlocal Agreement Self-Insurance League. The T.A.P.S. interlocal is managed by Trident Insurance Services LLC in San Antonio, which also manages a separate risk pool for Texas public schools, the Texas Association of Public Educators Interlocal Agreement Self-Insurance League (T.A.P.E). All references to "TAPS" in our previous newsletter refer solely to TAPSPLF, which is unrelated to the risk pools managed by Trident.

TAPSPLF Update

The fund held their annual meeting in Austin recently and released their audited financials.

- 2015 Fund Balance \$1,793,344
- 2016 Fund Balance -\$1,892,291

According to attendees (*TAPSPLF responses*):

- Is another assessment is expected next year? (*TAPSPLF: It is possible but was not stated as "expected".*)
- Current unaudited financials indicate approximately -\$400,000 Member Equity. (*TAPSPLF: We stated that we had added another -\$420,000 for the first five months of the current year. This does not take into account any potential IBNR decrease for the reduction in exposures that TAPS experienced after 9/1.*)
- Rates will be increased (not flat to 10% as indicated in their letter to members). (*TAPSPLF: Our letter indicated that, apart from increases resulting from reinsurance increases, our rates would increase on average from 0-10%. This is apart from potential exposure increases.*)
- If assessments for 2015-16 are not paid by July 1, the current coverage (2016-17) will be cancelled. (10 days notice is all that is required), and the assessment will be charged against the return of unearned premium.
- Cash on hand is sufficient to pay current liabilities and to fund IBNR (incurred But Not Reported losses). (*TAPSPLF: The negative member equity is a reflection of where we would be if we had to pay all case and IBNR reserves right now. We are not foreseeing a cash flow problem in the current fund year and the loss fund charge will help avoid future cash flow problems.*)

Risk Pools

- Risk pools are not insurance companies. They are associations of members who assume each other's risk of loss up to an identified level, above which reinsurance is purchased.
- Assessments in the form of additional contributions are possible.
- Risk pool managers and agents bear NO risk. Pools may be created to circumvent the bid laws (44.031).
- Risk pools are not subject to the Texas Department of Insurance oversight.
- Risk pools are not subject to the Texas Insurance Guaranty Fund (up to \$300,000).
- Agents may not have Errors & Omissions insurance.

TAPSPLF Thoughts

TAPSPLF has taken the necessary steps toward eliminating their deficit. I hope they will survive. Risk pools have been providing savings to Texas schools for several years. Few commercial insurance companies can provide the same service and cost savings.

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