

ROBERT V. REIM COMPANY

INSURANCE CONSULTING
BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

October 2017

FLOODS AND FLOOD INSURANCE

Hurricanes Harvey & Irma Will Affect Property Insurance Premiums Across the Entire State

Lexington/AIG not only insured many of the school districts in the areas affected by Hurricane Harvey, but they also provided the re-insurance for several of the school risk pools. In addition, they insured many commercial businesses.

On September 5th, a large insurer of school property pulled their renewal offers to schools not even impacted by Hurricane Harvey.

With the additional cost of Hurricane Irma, schools can expect a significant increase in pricing across the entire state of Texas. Percentage deductibles may become the norm.

For more information on the ripple effect on rates from Harvey (\$20-\$25 billion) and Irma (\$40-\$60 billion) see [USA Today](#) September 15, 2017.

Deweyville ISD 2016 Flooding

The original damage estimate from the District's 2016 flooding was \$12,500,000 with a risk pool Flood coverage limit totaling only \$1,000,000 (the district states they were unaware of the low coverage limit). According to a FEMA report issued May 24, 2017, the total damage is almost \$22,000,000. FEMA will only reimburse 75% of the total, subject to their strict purchasing requirements. That means the district is stuck for at least \$4,500,000, plus the hassle of dealing with FEMA and the cost of hiring a FEMA coordinator. Also, according to the Stafford Act, FEMA will have the right to decline funding grants to the District if these same buildings are involved in a future natural disaster.

Do You Know What Flood Protection Your Property Coverage Provides?

As with Deweyville ISD, few schools really know just what protection they have in the event of a flood. Shown below is typical coverage with one of the large interlocal risk pools.

Flood:	<u>Per Occurrence Limit</u>	<u>Deductible</u>
Zone A, AV (100 year)	Not Covered	Not Covered
Zone B, X-shaded (100-500 year)	\$2,000,000	Excess of <u>Available NFIP*</u>
Zone C, X-unshaded (500+ year)	\$2,000,000	Excess of <u>Purchased NFIP*</u> or \$50,000

*NFIP = National Flood Insurance

Flood Zone Determinations

Very few districts know what Flood Zone applies to their properties. Risk pools typically do not provide Flood Zone determinations, and appraisals do not show Flood Zones. You can obtain the information directly from FEMA - <https://msc.fema.gov/portal/search>. FEMA revises Flood Zones periodically. Check annually.

Floods often occur because of upstream or downstream construction. Property that is not exposed today may be tomorrow.

Covered Property

Are buildings outside of Zone A covered if the property itself is partially located within the 100 year Flood Zone? This could apply to large parcels with waterways. Our completed RFP Spreadsheet Questionnaire shows if "location" determines the Flood Zone.

Some of the major insurance companies take the position that if any part of the property at the location shown is in Zone A, the building is also in Zone A even if its elevation is above the Flood Plain.

Analyzing Financial Statements More Important

We are concerned about the financial capability of the smaller risk pools. It would be a good idea to try to determine the effects of the storm on their Member Equity. Audited financial statements which include Harvey's payments and reserves will not be available for some time. Storm reserves for those pools whose year ends August 31, 2017 may not be included in this year's audit, as reserves will not have been set yet. Without interim audits we will not see those results until 2019.

TAPS Members Affected?

The storm hit before the expiration of TAPS coverages. Could this mean additional assessments for members?

Budgeting

Prices and Deductibles will definitely increase. Budgeting will be difficult, but we will attempt to keep you aware of what we are seeing. No region of the state will be immune to increases. Liability and Auto premiums will also be impacted; companies will do whatever they can to offset Property and Auto Damage losses. This may be the year to bid your insurance coverages.