

ROBERT V. REIM COMPANY

INSURANCE CONSULTING
BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

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Beware of % Deductibles

With the heavy Hail losses over the past two years and the devastation of Hurricane Harvey, Texas insurers have experienced huge financial losses. In addition to increasing premiums across the State, they are increasing deductibles such that we are seeing more percentage deductibles with higher percentages than ever before.

Important! The % applies to value shown on the property schedule – not the amount of a loss. Example: Hail loss of \$2,000,000 with building replacement cost of \$35,000,000, a 3% deductible = \$1,050,000, not \$60,000. Because of such deductibles, for both Harvey and for hail storms, many districts discovered they actually had no insurance recovery.

In analyzing the effect of various deductibles, we use a chart like this and a total cost analysis of historical losses, deductibles and insurance premiums.

Building	Value	2% Deductible	3% Deductible	5% Deductible
Elementary	\$20,000,000	\$400,000	\$600,000	\$1,000,000
Middle School	35,000,000	700,000	1,050,000	1,750,000
High School	50,000,000	1,000,000	1,500,000	2,500,000
Concentration	100,000,000	2,000,000	3,000,000	5,000,000

In addition, it is essential to understand how the deductible % and minimums apply. A district discovered after Harvey that the % applied to the total schedule of values, rather than just the damaged properties. Be certain that the % deductible applies only to the damaged buildings. Some deductibles apply to the total building and contents value even if only one is damaged.

The application of the Minimum Deductible is also important. Minimums can be \$100,000, \$250,000, \$500,000 or even \$1,000,000 and should apply to the entire loss (Occurrence) – not building or location.

Coverage wording varies; “Location” or “Unit of Insurance” is often found. Obtain a written definition.

So buy a flat deductible whenever possible. If not available, purchase:

- % Deductible by **Damaged Building**
- Minimum Deductible by **Occurrence**