

ROBERT V. REIM COMPANY

INSURANCE CONSULTING
BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

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Market Conditions for September 1 Renewals

Many districts have discovered their coverage renewed at increased prices and with % deductibles for Wind and Hail damage. Be sure to understand just how much deductible your district is assuming. A district with \$100,000,000 in replacement values with a 2% deductible is looking at \$2,000,000. In some instances that deductible can be lowered with a “Buy Down” – additional insurance that “buys” the deductible “down” to a lower amount. Example: if the district purchased a \$250,000 Buy Down deductible, the additional Buy Down policy would have a \$2,000,000 limit with a \$250,000 deductible. The premium can be quite high for such coverage.

Property Reinsurance

Every Interlocal Risk Pool only assumes a limited amount of each Property risk, usually between \$100,000 and \$500,000 (retention) per occurrence. Reinsurers accept the risk for amounts in excess of the Risk Pools’ retentions.

Some risk pools are currently offering premium “indications” because they do not yet have reinsurance in place. Reinsurance premiums have skyrocketed. Who knows what the ultimate cost will be?

Insurance companies in Texas must maintain \$200,000,000 surplus in order to pay claims. Risk pools have no such requirement and many do not have reserves for claims that have not yet occurred. A risk pool with a \$500,000 retention is responsible \$1,500,000, if three separate claims occur in one year.

This is exactly what happened to TAPS, causing their ultimate bankruptcy. We now have the same scenario with some of the smaller risk pools.

One Troubled Risk Pool is

1. Advising districts that their claim will be paid:
 - a. when new premium is received
 - b. over three years or
 - c. if the district would take out a loan on which the pool would make the payments (will they?)
2. Requesting contractors to take out a loan on which the pool would make the payments
3. Being sued by districts for failure to pay claims
4. Withholding re-insurer funds for payment of claims

Audited Financial Statements

Demand that you be provided with audited financial statements – it is your district’s funds that are being held by the risk pool. You are the one at risk, not the pool manager. What is reserved for losses? What are the reinsurance retentions?

GET RENEWAL PROPOSALS NOW

There will be a last-minute log jam; your district may end up without insurance effective September 1.