

ROBERT V. REIM COMPANY

INSURANCE CONSULTING

BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

June 2019

Going to Bid?

The insurance market for schools currently is upside down because of worldwide losses and particularly hurricane, hail and flood losses across the entire state of Texas. These losses have triggered insurance companies and risk pools to institute severe underwriting restrictions, causing several districts to bid their insurance this year. If you do, you better hurry, as a number of districts are already in the marketplace competing for coverage. It is a seller's market. We have had to stop accepting new clients.

Consider **separating your Auto and Liability** coverages from your Property insurance. Expect a % deductible. Do the calculations; what are the replacement values of all properties subject to one wind or hail occurrence? Multiple that value by the % deductible; can you afford the total deductible?

If you can't afford the **high deductible**, check into a "buy down", where you buy separate insurance to reduce the maximum deductible. Example, ABC ISD has several locations in close proximity to each other, totaling \$150,000,000 in replacement value. A hail storm damages all of the buildings and the deductible is 3%. The total deductible would be \$4,500,000 (3% of 150,000,000). The district may be able to "buy down" the deductible to \$1,000,000 (or higher) by purchasing additional insurance. It may be with the building insurer or with another company.

So far TASB RMF has not utilized the **% deductible**, but the flat deductible may be higher than your district can afford. In some cases, they will reduce the deductible for an additional contribution.

If you have **single-ply roofs** (EPDM, TPO, and PVC membranes), multiply the total square footage of the single-ply roofs times \$8. If that total is significantly greater than \$1,000,000, your district may wish to see if TASB RMF will increase that limit for an additional premium, or look for coverage elsewhere. About 125,000 sf at \$8 equals \$1,000,000. Don't forget, repairs will run higher if your community suffers damage.

TASB RMF is currently reviewing **single-ply roofs** to determine which specific standards may be hail resistant. If you have buildings under construction or if you contemplate problems at renewal, consult with your TASB RMF representative.

Consider **not insuring buses** against Auto Comprehensive or Collision damage. Some of the larger districts purchase "Catastrophe" coverage within their Property policy subject to the Property policy deductible. A benefit is that the district may end up having no deductible as it may have already been applied to other property damage from the same occurrence.

Some risk pools are stepping in to pick up the TASB RMF business. What is scary about that is, if they already have low member equity, adding loss prone accounts may infuse cash, but also bring additional losses in the future. Be sure to analyze a pool's **audited financial statements** and reinsurance.

Most **Educator Legal Liability** policies are issued on a claims-made basis – the event must occur during the policy period. If you are changing insurers, be sure to put your current insurer on notice of any potential claim, or purchase a "tail". Confusing? Call us.

Interlocals require **advance notice of nonrenewal**; be sure to check the requirements. Some interlocals will not release pricing information until 60 days prior to renewal. That is not enough time to go to bid.

References

Checking references with other schools is often disappointing because they are leery of providing information. Check out our web site for a list of possible questions <http://www.robertreim.com/wp-content/uploads/Reference-checks.pdf>. Ask the new insurer for a reference that has had a loss.

WWW.ROBERTREIM.COM

PHONE (512) 345-8921

INFO@ROBERTREIM.COM