

ROBERT V. REIM COMPANY

INSURANCE CONSULTING

BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

Market Conditions

Those who have followed our newsletter in the past know that the following is just my opinion, based on what I read, what I hear, and what I see happening across the state.

You would think with the lack of major storms in Texas and the increase in assets from the stock market performance that insurance companies experienced in 2020, rates might be decreasing. Unfortunately, that is not what is happening to the extent expected. Rates will continue to increase, but at a slightly lower rate. Exclusive of Seacoast, smaller and Panhandle districts, a Property rate of less than \$.20 should still be expected in 2021. We are seeing a few rates in the \$.15 range, with a few even lower, depending on loss experience. Be sure to negotiate. For one district recently, the final negotiated premium was 12% less than the original proposal; in this case it was a savings of over \$400,000.

Property insurance is driven by Lloyds because they are the ultimate reinsurer for most property coverage. Reinsurers have been reducing capacity, raising prices, and even leaving Texas. It is the reinsurance rates that ultimately set Texas Property insurance rates, and worldwide insurance has not been without catastrophe losses. I also suspect that companies are not quite sure of the ultimate effect of Covid-19 on Business Interruption coverage. Recently the UK Supreme Court ruled that Business Interruption from Covid-19 was covered for 370,000 policyholders. In the U.S., IRMI is tracking 1,030 cases; so far 90 insurer wins and 16 policyholder wins. At this point, we suggest applying a 15-20% increase in your rate (not premium) for budget purposes; do not forget to factor in value increases when estimating premium, more if you have had losses.

According to one large risk pool, Auto Damage losses have increased significantly. Repairs to newer vehicles has become increasingly expensive. Expect the same 15% increase in Auto cost. That may be held down by the decrease in losses during Covid-19, because buses were not on the road, but we have not seen it yet.

At this point the most competitive coverage for schools is Worker's Compensation. In 2020, we had one engagement for a single high school district, where we had 13 different proposals from seven companies. The district reduced its premium by 30%. If you decide to test the market, be sure to give proper notice of potential non-renewal; with some companies the required notice is six months. Be sure to investigate cost-plus plans. Companies did well during Covid-19, as payroll, the basis of premium, did not reduce as much as the exposure to loss – employees were paid but not working or working from home. One thing we have noticed is that Texas Mutual has gone from being extremely competitive to very expensive. Recently, for one District, the Texas Mutual premium was almost 2.5 times the lowest cost proposal. If you are currently insured by them, strongly considered issuing an RFP. This District renewed coverage with their current carrier at a 20% reduction. Would the premium have reduced if they had not gone to bid? Covid-19 law changes may affect future pricing.

We are seeing the most activity in Cyber coverage. There is still no consensus on price or coverage. See our November newsletter <http://www.robertreim.com/wp-content/uploads/2020-November-Cyber.pdf> and check your sub limits, especially Fraudulent Instruction and Extortion.

If you have not been to bid in over three years, this might be the time to consider doing so. Companies are acting differently to the effects of Covid-19. We have not yet seen any consensus in pricing structure from the various insurance markets.