

ROBERT V. REIM COMPANY

INSURANCE CONSULTING
BID MANAGEMENT



SCHOOL INSURANCE NEWSLETTER

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Replacement Cost vs Actual Cash (Depreciated) Value

Property insurance is one of the few insurance coverages that can provide replacement cost, without deduction for depreciation. Actual Cash Value = Replacement Cost – Depreciation. Roofs have a definite life – usually 20 years. If a 20 year roof is 15 years old, the depreciated value is only 25%. However, if the coverage provides replacement cost, full coverage is provided once the roof has been repaired or replaced.

Here is an example of how the claim would be adjusted. Total Hail Loss \$160,000. Roof spec'd 20 years. Roof age 15 years. Insurance will often initially pay \$40,000 (the depreciated value 25%), with another payment of \$120,000 upon repair or replacement. However, some coverage documents state that roofs beyond a certain age (usually 12-15 year) are not eligible for Replacement Cost coverage.

Note: if you change insurers, the new provider will not cover any damage to roofs that have not been repaired or replaced.

Multi-year Agreements

Such agreements are typically no longer available; however, if your district is offered a multi-year agreement, analyze the cancellation provisions carefully. Is there a short rate penalty to cancel coverage at the anniversary of the coverage? What is the % penalty; how much is it in dollars? With any contract, carefully understand the cancellation provisions. Some contracts require full payment of premium even though coverage has been replaced.

District Non-Renewal or Cancellation of Coverage

What advance notice is required? Some risk pools require full payment if coverage is not cancelled or non-renewed within the required time. Again, check the coverage document. With most risk pools, cancellation provisions are found in the Interlocal Agreement. If you cannot find the provision, obtain a written document outlining cancellation and non-renewal provisions.

Cancellation by the insurer.

Equally as important are the provisions applying to insurer cancellations. Some risk pools specify that notice can be given with just a 30 day mailing notice. We assisted one coastal district that was required to obtain replacement coverage and board approval within a 23 day period. Property insurance was placed with another company but there was not enough time to explore options.

Driver Telematics

Bus telematics is a technology that uses GPS and on-board diagnostics to monitor and manage bus fleets in real-time. It provides data on bus location, speed, fuel consumption, and driver behavior, aiding in fleet management, driver safety, and cost optimization. Originally designed for truck fleets, telematics is also useful for bus fleets. For more information, click here: [Vector](#)