

ATTACHMENT NO. IX-G: Property/Liability/Auto/Umbrella Insurance

Potential motion: Move to approve Prairie State Insurance Cooperative for the district's property/liability/auto/umbrella insurance renewal for the 2012-2013 fiscal year.

Recommended action: Approve the motion

It is recommended that the Board approve the renewal of insurance as provided by the Prairie State Insurance Cooperative. In November 2010, the district agreed to a three-year commitment to the insurance pool. This is the third year in the pool. Each year, the cooperative's broker (Arthur Gallagher) bid the insurance out for the cooperative as a whole to obtain the best renewal terms possible. The premium for the 2011/12 year was \$62,579. This was a 1.3% increase with a 10% decrease in fixed costs and a 3% increase in property values.

The renewal for 2012-2013 is \$77,828 which is a 24.4% increase. The fixed cost portion to this renewal had an increase of 8% (\$3,336), which included an increase in property value coverage. The remaining portion of the increase (\$11,913) is within the variable cost which can be refunded to the district based upon the year's experience within the pool. This is "premium" that is not given to carriers, but is put into reserves to meet the pool's self-insured obligation for potential losses. It is anticipated that a refund will be given to the District based upon the current 2011/12 loss experience which could potentially be approximately \$12,225. Renewals for other cooperative members ranged from approximately 10% to 30% based upon the size of the district and claim history.

The cooperative has locked in the pricing with the property carrier for the next three years. This was a market decision made by the executive board as rates are increasing with the insurance marketplace beginning to tighten in the property arena. According to the cooperative's broker, catastrophic losses across the globe have used the surplus reserves of the entire industry. This fact coupled with weak returns on investments, are signals of increased property rates.

A copy of the year to year renewal comparison is included for your review.

PRAIRIE STATE INSURANCE COOPERATIVE
2012-2013 PROPERTY & CASUALTY PROGRAM COST COMPARISON

District: North Boone CUSD #200

Fixed Costs	2011-2012 EXPIRING	2012-2013 PROPOSED
Self-Insured Package Premium (includes Property, General Liability, Garage Liability, Auto Liability and Physical Damage, Inland Marine, EDP and Crime)	\$10,623	\$12,167
School Board Legal Liability	\$0	\$0
Excess Property	\$9,758	\$10,995
Boiler & Machinery	\$2,701	2,833
Pollution Liability	\$1,098	\$1,098
Excess Liability	\$6,281	\$6,325
Student Accident (Mandatory and Catastrophic)	\$0	\$0
PSIC Management Operating Expense ¹	0	\$200
AJ Gallagher Brokerage/Administrative Services	\$4,827	\$5,020
Illinois ARM Service Fee	\$4,827	\$5,020
Claims – Gallagher Bassett Services	\$655	\$654
Loss Control – Gallagher Bassett Services	\$985	\$985
Total Fixed Costs	\$41,755	\$45,297
% of Increase/Decrease		9%
Variable Costs	2011-2012 EXPIRING	2012-2013 PROPOSED
Loss Fund – Package	\$20,824	\$32,737
Total Program Contributions on a Maximum Cost Basis	\$62,579	\$78,034
		Total Due for 2012-2013

*updated
billing rec'd*

\$11,961

77,828

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The PSIC operating fee expense is allocated to each member by the PSIC Treasurer. This fee is solely used to pay for those expenses such as the annual audit expense and meeting expenses that are needed to operate the pools operations. In the past, the cooperative has utilized loss fund interest earnings to pay for those expenses. Due to the lack of interest income to cover the cooperatives expenses, a slight fee must be allocated to each member.