

# Prairie State Renewal

## Board of Education Meeting June 23, 2020

### **History:**

North Boone joined Prairie State Insurance Cooperative (PSIC) in 2011-2012

### **Timeline:**

Prairie State sends the renewal information to districts in May or June. New renewal starts on July 1<sup>st</sup>. A resolution by the Board of Education must be sent to PSIC by March 1<sup>st</sup> to be dropped from the cooperative.

### **Bid Process for Prairie State:**

PSIC bundles all 209 members district's insurance exposures together to market the insurance to various insurance carriers. Largest increase in premium were property and liability insurance. PSIC marketed property insurance to 38 carriers and liability to over 30.

District's saw an average of 27.8% increase for Property/Liability and 5.2% increase for workman's comp insurance.

### **Reasons for Increases for 2020-2021:**

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State of Market is Very unfavorable

Pre-COVID forecast was 15-20% increase due to market conditions

#### Property Insurance:

- \*Catastrophic claims increasing since 2017-wildfires, floods, tornadoes, hurricanes
- \*Reinsurance costs-increasing
- \*Convective storm modeling-Relied upon heavily, good loss history matters less
- \*Clean risks-30%-40% increases
- \*Less favorable risks-increases of 65% or higher
- \*PSIC is showing same loss trends as industry
- \*Unknown storm damage from recent storms

#### Casualty Insurance:

- \*Social Inflation
- \*Increase in Sexual Abuse claims
- \*Rate Increases & Capacity Cutbacks
- \*Auto losses-frequency and cost continue to rise

### Cyber Liability:

- \*Cyber attacks- all time high (COVID-working from home)
- \*Public entities-especially vulnerable
- \*Ransomware demands-increased exponentially
- \*Focus on loss prevention

### Intangibles:

- \*Covid 19 volatility and uncertainty of pandemic
- \*Carrier appetites are reduced as a result of new guidelines, UW capacity, and overall pullback due to COVID
- \*All-time financial market volatility and uncertainty
- \*10 year bond yields all time low (insurer investment income)
- \*Capital is available in most market but excess liability, insurer will no longer use it unless they think they can make an underwriting profit
- \*States removing statute of limitations (sexual abuse, NY example), carriers are exposed exponentially

### Workman's Comp:

- \*Increasing due to health insurance
- \*Cost to pay employee while they are out of work
- \*There is a base suggested rate but determined off of previous claims as well as payroll

### **North Boone Historical Information:**

- \*Over the years with PSIC, the total premium increase has been 14%
- \*Insuring 33% more property than when we initially started with cooperative.
- \*Workman's comp~ total payroll up 18% (directly proportional to payroll)
- \*North Boone has received a return of equity in 2018, 2019 and is schedule for another one in 2020

North Boone Community Unit School							
		<b>Property &amp;</b>		<b>Workers'</b>			
		<b>Casualty</b>		<b>Compensation</b>		<b>Total</b>	
<b>2011-2012</b>		62,579	no school board legal or student accident coverage				
<b>2012-2013</b>		91,682		90,795		182,477	
<b>2013-2014</b>		86,825		98,498		185,323	
<b>2014-2015</b>		94,183		94,036		188,219	Abuse primary increased from 1MM to 2MM; crime increased to 1MM
<b>2015-2016</b>		95,002		100,103		195,105	Added Cyber coverage
<b>2016-2017</b>		91,909		86,539		178,448	
<b>2017-2018</b>		90,778		93,923		184,701	
<b>2018-2019</b>		88,143		101,270		189,413	
<b>2019-2020</b>		88,378		89,698		178,076	Added Violent Event Coverage
<b>2020-2021</b>		117,039		90,465		207,504	17%
<b>2018</b>	return of equity					(14,522)	
<b>2019</b>	return of equity					(19,066)	
<b>2020</b>	projected return of equity					(16,000)	