



Clay County District Schools

Property & Casualty Insurance Program Review

Presented by:

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Agenda

- I. About Arthur J. Gallagher & Co.
- II. Insurance Overview
- III. Clay Schools Program
- IV. Conclusion



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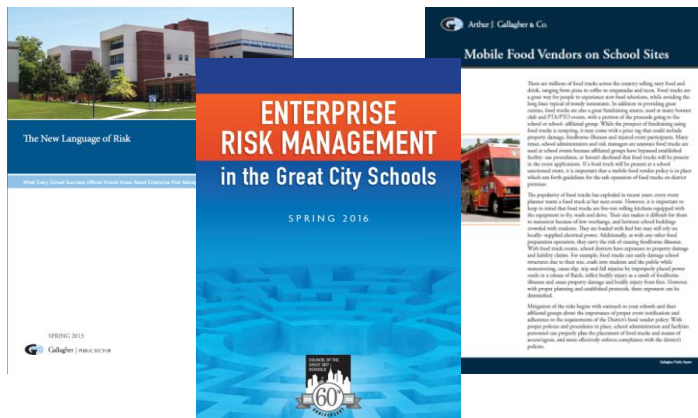
About Arthur J. Gallagher & Co.



About Arthur J. Gallagher & Co.

Facts and Figures – K-12 Practice

Gallagher has structured its operations around the ability to provide **tailored solutions** to specific industries. Our value proposition is built on the concept that by devoting our best talent, corporate resources, and time into **specializing in K-12 schools**, we can provide measurable value to our clients in helping them **understand and manage their total cost-of-risk.**



Education Practice	
Size	World's largest insurance broker for K12 Schools
Approximate Number of Clients	Thousands of K-12 clients, including public, charter, independent, private and religious schools
Education Clients	<i>Over 100 Education Clients in Florida encompassing thousands of campuses.</i>
Education Practice Resources	<ul style="list-style-type: none"> • 300+ sales experts across the US • Former school risk managers, teachers and administrators on staff • ERM consultants specifically focused on school operations
Gallagher Education Publications	<ol style="list-style-type: none"> 1. Author/editor of 2016 white paper "ERM in Urban Schools" published by the Council of the Great City Schools 2. "The New Language of Risk" for independent schools 3. Monthly risk management e-newsletter



About Arthur J. Gallagher & Co.

Your Peers.....Our Clients

Individual Florida School Systems

- Brevard County School Board
- Broward County School Board
- Clay County School Board
- Duval County School Board
- Escambia County School Board
- Lake County School Board
- Marion County School Board
- Miami-Dade County School Board
- Monroe County School Board
- Okaloosa County School Board
- Osceola County School Board
- Seminole County School Board

Members of Panhandle Area Educational Consortium

- Calhoun County School District
- Franklin County School District
- Gulf County School District
- Holmes County School District
- Jackson County School District
- Jefferson County School District
- Liberty County School District
- Wakulla County School District
- Walton County School District
- Washington County School District

Members of the North East Florida Educational Consortium

- Baker County School Board
- Bradford County School Board
- Columbia County School Board
- Dixie County School Board
- Flagler County School Board
- Florida Virtual School
- Gilchrist County School Board
- Hamilton County School Board
- Hernando County School Board
- Levy County School Board
- Nassau County School Board
- Putnam County School Board
- Union County School Board





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Insurance Overview

Risk Management Control Continuum



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Less Control

Greater Control



**Conventional
Insurance
Program**

**Safety
Dividend
Program**

**Large
Deductible
Retro-Plan**

**Protected
Self-
insurance
(Aggregate
Protection)**

**Specific
Excess
Insurance
(No
Aggregate)**

**Rent-A-
Captive**

**Captive or
RRG**

**Pure
Self-
Insurance**

**Clay County
District Schools**



Conventional Insurance Basic Elements

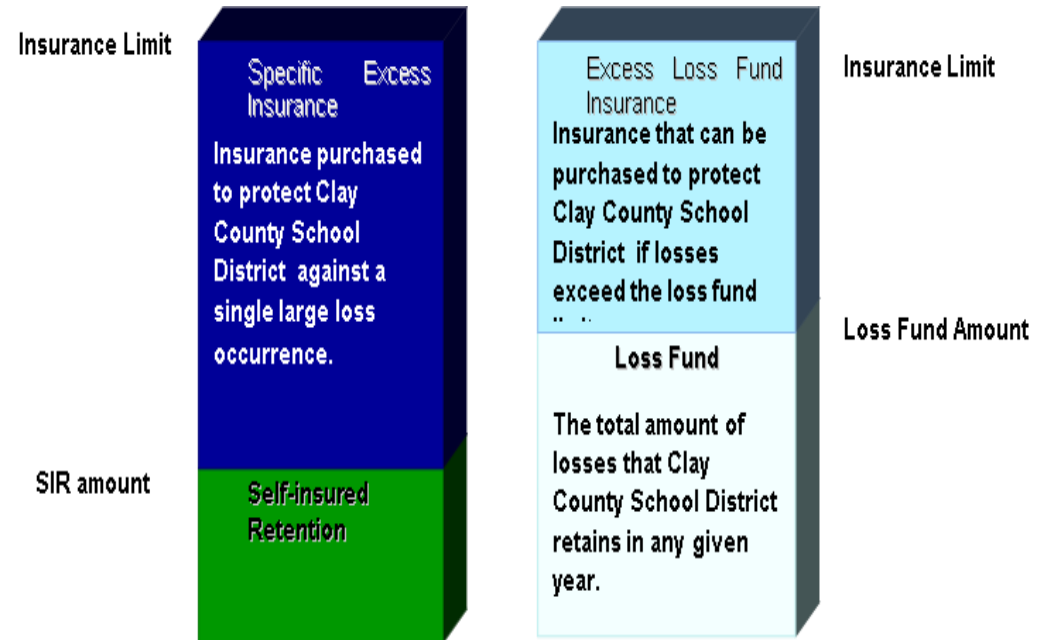
1. Because conventional insurance responds to primary losses (at the first dollar of loss), premium levels and even the availability of coverages are unstable.
2. Insurance companies view your premium dollar as their money. They ultimately decide the final disposition of a claim based upon their own interests, timetables and priorities.
3. Insurance companies earn investment income on your money while claims are waiting to be paid



What is Self Insurance?

Basic Elements

- The **Self-insured Retention** is the maximum amount of any single loss the School District can feasibly absorb for each line of insurance.
- The **Specific Excess** insurance provides coverage above the self-insured retention, by line of coverage, which protects Clay County School District from abnormal severity of loss and provides appropriate catastrophic coverage.
- The **Loss Fund** is based on previous loss experience and a factor for projected losses which anticipates inflationary trends and an allowance for unreported losses.
- ***Excess Loss Fund** insurance provides coverage above the loss fund and protects Clay County School District from abnormal frequency and severity of loss. If the total amount of losses exceeds the loss fund, Clay County School District would then be insured up to the excess limit selected.





Specific Excess Self-Insurance Costs

- The program costs under a specific self-insurance system are broken down into two (2) areas:

Fixed Costs	Variable Costs
Risk Control	Losses
Claims Administration	Claims Administration
Excess Insurance Premiums	
Self Insured Assessments	
Actuarial Evaluations	

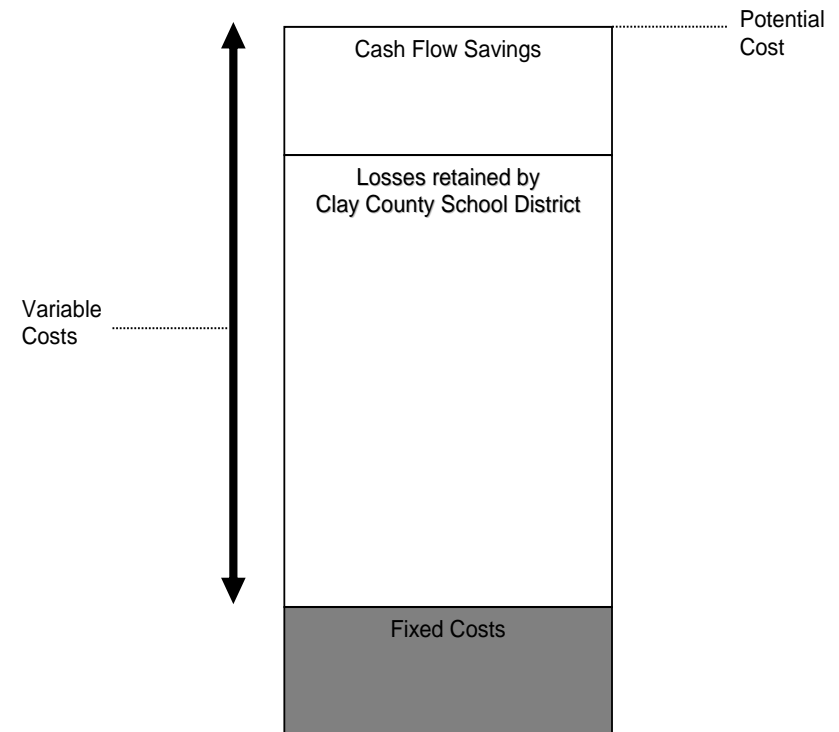
- The **Fixed Costs** are those predetermined charges made for the placement of the coverages and the services proposed. These cost are paid at the inception of the program to the respective suppliers
- The **Variable Costs** are the losses in the program subject to the self insured retentions. Payments are made on claims as they become due, while the dollars are retained and managed by the School District. It is here that Clay County School District enjoys cash flow benefits and investment income.



Fixed and Variable Cost Illustration

Key Concepts:

- The **fixed costs** are paid at inception by Clay County School District. The Loss Fund dollars are retained by the School District and are paid out only as actual losses become due. If the School District does not expend the full Loss Fund, the residual is a direct savings to the School District.
- Clay County School District also enjoys investment income and cash flow advantages as the funds and reserves build over the years, helping to reduce costs still further.





Self Insurance

Pros vs. Cons

Pros

1. Absorb all usual and expected losses in a self-insured layer
2. Reduce the high cost of administration usually associated with insurance companies
3. Improve cash flow with investment income
4. Provide a stable insurance program
5. Increase the insured's control of its insurance program
6. Provide tailored insurance coverages to meet the insured's needs

Cons

1. Downsizing/Organizational Restructuring
2. More Hands on Approach
3. Long Term Decisions
4. Complex Program
5. Total Program Costs not final until claims are closed



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Clay County Schools Program

Loss History



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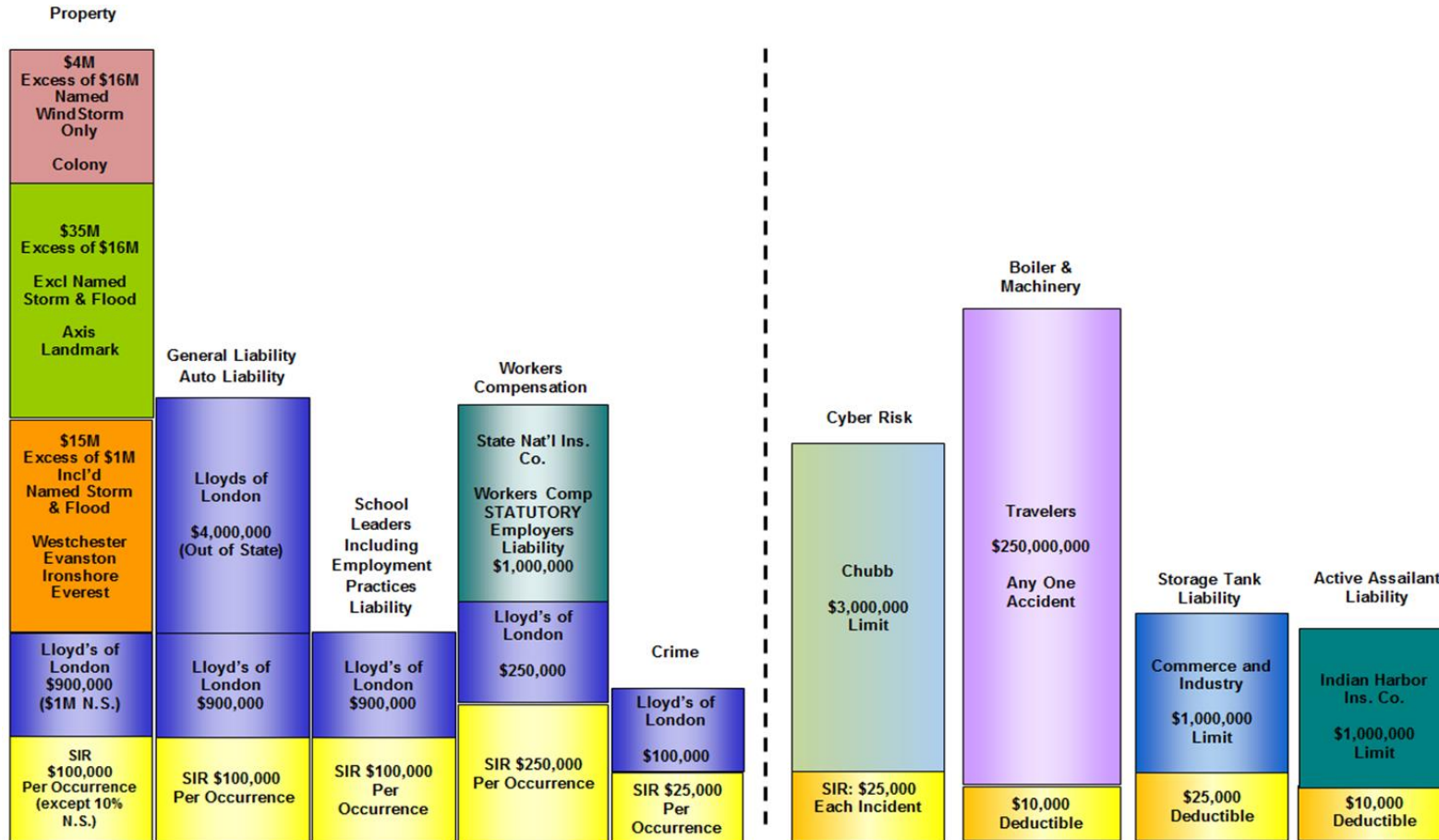
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Losses Excess of \$25,000

See Handout



Your Property and Casualty Program



Package Self-Insured Retention is a Combined Lines Retention



How do you compare to your peers?

	Clay County Schools	North Florida SB	North Florida SB	Central Florida SB	Central Florida SB
TIV	\$984,693,289	\$1,002,487,000	\$3,114,045,000	\$1,894,389,000	\$1,555,345,000
Payroll	\$196,222,739	\$243,000,000	Not Available	\$356,191,000	\$295,203,000
WC SIR	\$250,000	\$500,000	Self Insured	\$500,000	\$400,000
GL SIR	\$100,000	\$300,000	Self Insured	\$500,000	\$200,000
AL SIR	\$100,000	\$300,000	Self Insured	\$500,000	\$200,000

	Central Florida SB	Central Florida SB	South Florida SB	South Florida SB	South Florida SB
TIV	\$844,747,000	\$2,353,053,000	\$300,693,000	\$10,329,678,000	\$7,386,200,000
Payroll	\$224,488,000	\$503,185,000	\$62,362,000	\$1,779,546,000	\$1,376,517,000
WC SIR	\$500,000	\$650,000	\$325,000	\$1,500,000	\$1,500,000
GL SIR	\$100,000	\$1,000,000	\$150,000	\$200,000	\$300,000
AL SIR	\$100,000	Self Insured	\$150,000	\$200,000	\$300,000

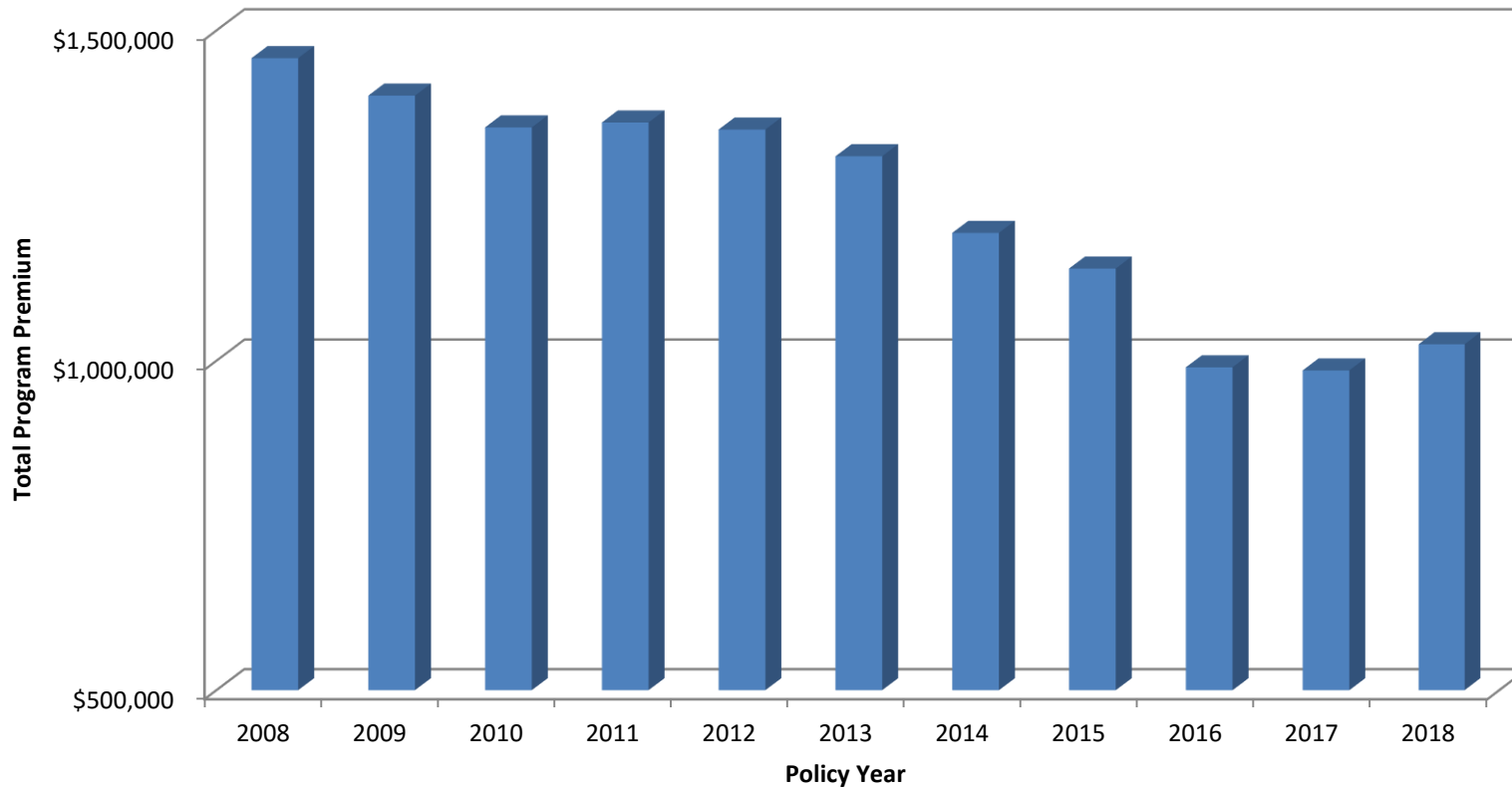
Historical Pricing



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Historical Total Program Premium



Renewal Pricing



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Description	Expiring Program	Option 1	Option 2
	2017-2018	2018-2019	2018-2019
		Per Expiring	NY Marine XS WC
School Board Package	\$ 350,000.00	\$ 350,000.00	\$ 350,000.00
Excess Property	\$ 464,254.00	\$ 507,619.00	\$ 507,619.00
Excess WC	\$ 109,779.00	\$ 105,764.00	\$ 105,725.00
B&M	\$ 12,160.00	\$ 13,151.00	\$ 13,151.00
Storage Tank	\$ 4,383.00	\$ 4,469.00	\$ 4,469.00
Active Assailant	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Student Accident	\$ 8,780.00	\$ 8,869.00	\$ 8,869.00
Cyber Risk	\$ 31,000.00	\$ 21,243.00	\$ 21,243.00
Total Cost before fees	\$ 995,356.00	\$ 1,026,115.00	\$ 1,026,076.00
Florida Surcharges/ FEMA Fees	\$ 28.00	\$ 28.00	\$ 28.00
AJG Risk Management Fee	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00
Total Cost after fees	\$ 1,055,384.00	\$ 1,086,143.00	\$ 1,086,104.00
Total ▲ over expiring (\$)		\$ 30,759.00	\$ 30,720.00
Total ▲ over expiring (%)		3%	3%

- Rates have either remained flat or decreased
- Increase in premium is result of increase in property values

Options



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A	Add a \$1,700,000 loss fund with the expiring SIR's.	\$18,000 Additional Premium
B	Increase Auto Liability and General Liability Self Insured Retention from \$100,000 to \$200,000	(\$18,000)Premium Reduction
	Remove the \$250,000 Excess of \$250,000 Worker's Compensation Layer in package (WC Retention would become \$500,000).	(\$40,000) Premium Reduction
C	Reduce Workers Compensation Self Insured Retention from \$250,000 to \$200,000.	\$45,000 Additional Premium
E	Remove the \$250,000 excess \$250,000 Worker's Compensation Layer in package and add a \$500,000 loss fund for GL/AL/EO/Property.	(\$30,000) Premium Reduction
F	Increase Active Assailant coverage to \$5,000,000	\$10,000 Additional Premium



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Conclusion



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Conclusion

- Overall, renewal is quite favorable;
- Program marketed to over 35 carriers;
- Several options have been presented;
- Rates have remained flat to decreasing;
- Premiums have increased by 3%;
- Renewal program is 30% lower than 2008 pricing and is the 3rd lowest price in 10 year history.

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