

Edina Public Schools ISD 273

Executive Summary
07/01/2024 – 07/01/2025

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Gallagher

Insurance | Risk Management | Consulting

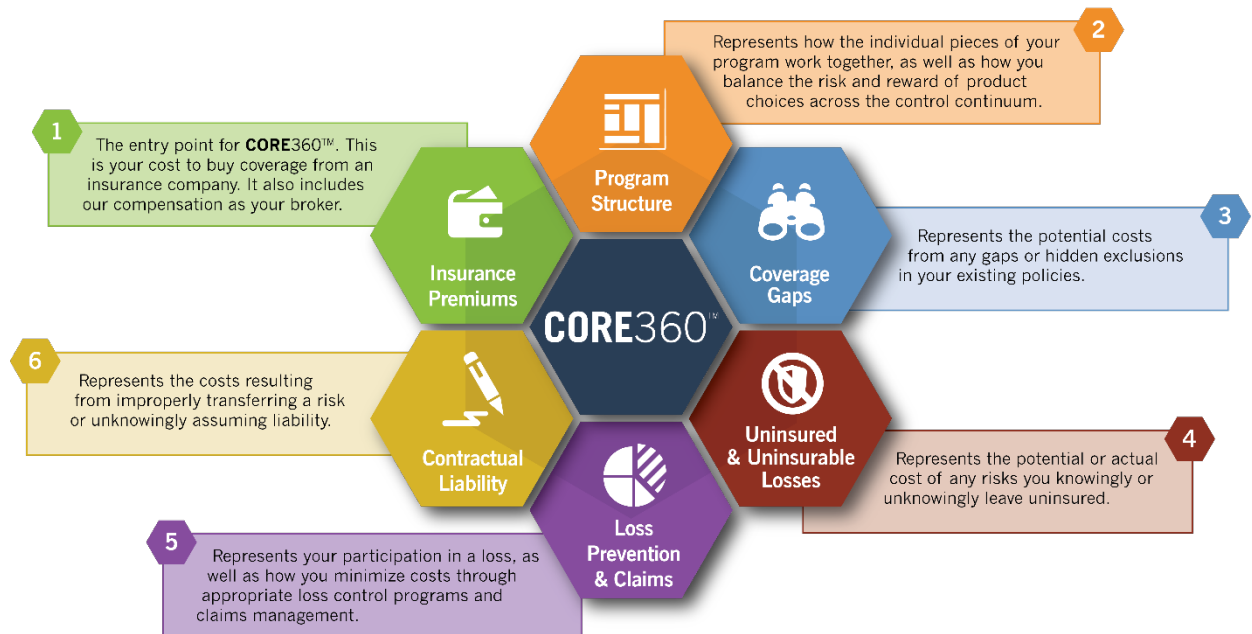
Overview

On behalf of the Gallagher Public Entity team, we would like to thank Edina Public Schools ISD 273 for the continued opportunity to serve the district. This Executive Summary is a shorter version of our proposal and is intended to summarize the renewal and outline our **CORE360™** approach for the district. The intent of our **CORE360™** approach is to help you optimize your total cost of risk and thereby improving the district's profitability to better serve the community. We highlight each **CORE360™** cost driver, beginning with Insurance Premiums and ending with Contractual Liability. Highlighting each cost driver will not only summarize the key accomplishments, but also ensure that we are deliberate in driving value to each of your six cost drivers which represent your total cost of risk.

The Executive Summary also follows the decisions made and action items we discussed during our strategic review discussion on April 15th. During the discussion we established the following goals and objectives for 2024:


- Agreed to continue partnership with RAS at a negotiated “no more than” 3 increase before any change in exposures. Previous marketing done in 2022, increased Experience Mod and adverse lost history driving net rate increase.
- Continue to provide the greatest deliverable to ISD 273 – program stability and carrier partnership.
- Continue to provide extensive loss prevention and claims advocacy services to drive down the district's total cost of risk.

We believe we have delivered on these results and look forward to reviewing the Executive Summary in further detail. We know that you have a choice and we appreciate your business and continued support.




2024 CORE360 Stewardship Scorecard

Your **CORE360™** Stewardship Scorecard has been developed for you to get a quick snapshot of how we've impacted your total cost of risk over time, by monetizing the cost of risk changes by cost driver.




Insurance Premiums

- 2024 Premium increase of 4.3% after payroll changes.
- **2024 Net Rate Decreased 3%**
- Experience Mod increased 2% in 2024.
- 2024 Net Rate still 14.6% lower than 2019 net rate before RAS partnership was formed.




Program Structure

- Total Payroll for the district increased 7%% in 2024.
- Stable program with RAS since partnership began in 2020.




Coverage Gaps

- Our review revealed no actionable coverage gaps at this time.




Uninsured & Uninsurable Losses

- There have been no changes in our understanding of the district's uninsured or uninsurable risks since our last discussion.



Loss Prevention & Claims

- Coordinated RAS Loss Control
 - Ergonomic Evaluations
 - Reviewed Non-Critical Recommendations
 - Custodian Safety Training
- 2024 Experience Mod Analysis completed.



Contractual Liability

- Hidden risk transfers & unknown assumption of liability – Snow removal companies, General Contractors and Construction Managers (for example).

Insurance Market Report – May 2024

US Public Sector & K-12 Education Market Addendum

Gallagher captures meaningful data about every line of coverage for our clients, and we publish a report on market conditions several times each year. The Gallagher Insurance Market Report of March 2024 can help public sector and K-12 education clients think about the broader environment that shapes the insurance market. This addendum will reference key takeaways from the general market report and provide more specific detail on public sector market conditions.

Based upon our experience placing insurance for public entities of all types and sizes for more than 50 years, we know that insurance conditions for public agencies vary from general market conditions. There are fewer markets willing to write public sector business, which creates a lack of competition for both coverage and pricing. Many public entities struggle to meet underwriting criteria and may be challenged to provide accurate data; these factors also influence the availability and pricing of insurance. It is also true that public entities and K-12 schools operate under a mandate to provide services to the public, which limits their ability to curtail risky operations. Providing law enforcement protection, guarding the health and welfare of school children, delivering clean water, maintaining public roads, and firefighting are all examples of high-risk services delivered by the sector which must be managed and insured or financed. These factors, in addition to the expectations of the public and societal views of government, all contribute to the creation of a challenging insurance environment.

Property

Overall, the property market is stabilizing and gradually improving. The Gallagher Insurance Market Report of March 2024 stated that challenges within the commercial property market continue, but clients are likely to find more stability at renewal, with continued rate increases. This is certainly true for the public sector as well, although rate improvements are slower to materialize. Comparing the property rate changes for all clients and public sector clients (as of April 30, 2024) demonstrates the difference.

Property Rates	All Industries	Public Sector & K-12 Schools
Rate decrease	17.2%	15.5%
No change	3.2%	.3%
Rate increase	79.5%	84.2%

Key Issues

Extreme weather events: Severe convective storms (SCS) were a significant driver of insured losses in 2023, and insured losses from natural catastrophes exceeded \$100 billion. It is likely carriers will continue to reevaluate their exposures to SCS, wildfire, and flood, among other perils.

Data accuracy and information gaps: Inadequate renewal information, incomplete property inventories, and missing components of COPE data all contribute to poor renewal outcomes.

Lack of updated property values: Many schools and public agencies struggle to keep up-to-date valuation records that adequately reflect the entity's property exposures. Carriers remain highly focused on insuring to appropriate values and inflation costs. Those with incomplete or inaccurate data are likely to experience increased pricing and less choice at renewal time.

Alternative solutions: Although typically adverse to new, complicated or nontraditional risk financing solutions, a number of public entities are now considering creative buying strategies such as group purchasing, structured reinsurance, captives and parametric coverages.

Preparation: It is important to start early, prepare thoroughly, and explore all options. Prices are still increasing for most, and there will still be tough renewals ahead.

“We believe climate change will continue to impact the property market for the foreseeable future, beyond the short term. Catastrophe models and Gallagher forecasts are helpful to run “what if” scenarios. We are also helping our public sector clients understand and budget for the changes in their deductibles for severe weather events.

Scott Thomason, Regional Director – Southeast Region
Gallagher Public Sector & K-12 Education Practice

Casualty/Liability

The Gallagher Insurance Market Report of March 2024 reported that a sensible casualty market is emerging, with median rate increases largely stabilizing. That is not the case across the public sector, however. A comparison of all industries to the public sector and K-12 school sector shows an even starker contrast in rate changes.

General Liability Rates	All Industries	Public Sector & K-12 Schools
Rate decrease	27.4%	12.3%
No change	17.4%	10.8%
Rate increase	55.2%	76.9%

Key Issues

Adverse trends: The impact of social inflation, nuclear verdicts, and rising medical costs are key issues across all industries. Among public entities, there is also a rise in litigation funders, plaintiff advertising and event-driven litigation.

Statute of limitations for SAM claims: The requirements for filing a sexual abuse and molestation (SAM) claim against a school vary state by state and are subject to change every year. Many states have extended the statute to allow decades-old claims to be brought forward; that number increases every year. Layer on top of that the differences in legal jurisdictions and jury awards, and a claim that could be settled for \$300,000 in one jurisdiction may be worth more than a million in another. Governmental immunity differs by state as well, which means that a liability claim may be capped at \$500,000 in one state while other states have no cap. There are fewer insurance markets willing to provide this coverage, which limits public entities’ ability to leverage competitive bids.

Law enforcement liability and employment practice liability: Claim trends are significantly greater and more volatile for these areas of operation, and these difficult lines of coverage are exacerbated by social unrest, racial inequality, staffing challenges and the public’s general dissatisfaction with government.

Emerging risks: The possibility of a wave of future claims from emerging risks such as PFAS (forever chemicals) and biometric privacy breaches are of concern.

Volatile conditions: All of these factors combine to make casualty market conditions more volatile for public entities and K-12 schools.

“The reality is the landscape has changed. Today’s public sector decision-makers have to be open-minded to new insurance solutions and invest in significant risk control to reduce and mitigate the severity of claims.”

John Chino, Regional Director – Northwest & Southwest Regions
Gallagher Public Sector & K-12 Education Practice

Workers’ Compensation

Workers’ compensation remains a profitable and stable class of business, with similar rate trends across both general industry and the public sector.

General Liability Rates	All Industries	Public Sector & K-12 Schools
Rate decrease	50.3%	45.5%
No change	2.1%	4.5%
Rate increase	47.6%	50.0%

Package Policies and Other Lines

The Gallagher Insurance Market Report of March 2024 comments on specific lines of coverage that are not typically purchased separately by public agencies (Commercial Auto, Directors & Officers, Professional Liability and Umbrella). Those lines are usually included in a Package or Multi-Line policy, depending upon the risk financing structure of the individual entity or pool (if the entity is a pool member). For package policies, the pattern of difference holds when comparing the rate changes for all clients in all industries to the public sector. Public entities and K-12 schools have higher percentages of increases and lower percentages of decreases.

Package Policy Rates	All Industries	Public Sector & K-12 Schools
Rate decrease	27.7%	23.9%
No change	4.0%	2.7%
Rate increase	68.3%	73.4%

Cyber

Cyber claims activity has been steadily increasing as the cyber insurance market continues to mature. In the public sector world, it is important to remember that this is an area of exposure that is extremely difficult to control and is still evolving. Ten years ago, this was not top of mind for mayors or school superintendents. Now we know that schools and cities are often targeted by hackers and cyber criminals.

Volatility of pricing is likely to remain a feature of this segment of the market. In the July 2023 public sector webinar on the insurance market, we reported that cyber insurance coverage was flat or decreasing across all regions of the US. The data from April 2024 shows the pricing volatility that we expect to continue.

Cyber Liability Rates	Public Sector & K-12 Schools
Rate decrease	44.5%
No change	25.3%
Rate increase	30.2%

Cyber is another example of a challenging exposure for public entities because of underwriting and exposure criteria. Many K-12 schools are particularly challenged to implement multi-factor authentication and avoid phishing schemes and ransomware attacks. The ever-increasing use of AI and its deployment by malicious actors is a real and ominous threat to cyber security across this sector.

Conclusion

Current market conditions for public entity and K-12 buyers are challenging. Environmental, social and political influences contribute to these difficult conditions in addition to claims trends, pricing and capacity. Understanding what to expect is one piece of this puzzle. Other pieces include preparation, due diligence and attention to detail. Creative solutions and opportunities exist for those willing to embrace change and consider alternatives. Experts and consultants in the Gallagher Public Sector & K-12 Education Practice are ready to help, along with our company partners in Artex, Gallagher Bassett, Gallagher Benefit Services, Risk Program Administrators and Gallagher Re.

“Starting the renewal process early is the most important thing. Put in the time and ensure that your data is accurate and tells a compelling risk management story. If you dedicate yourself to this, you will get more favorable results from the insurance market.”

Dorothy Gjerdrum, Senior Managing Director
Gallagher Public Sector & K-12 Education Practice

Our Methodology

All data is from April 30, 2024. Gallagher Drive is a premier data and analytics platform that uses both the change in premium and total insured values (TIVs) to calculate the rate change each month. The rate change is broken down by class of business and focused on renewals within the mid-market and large account spaces.

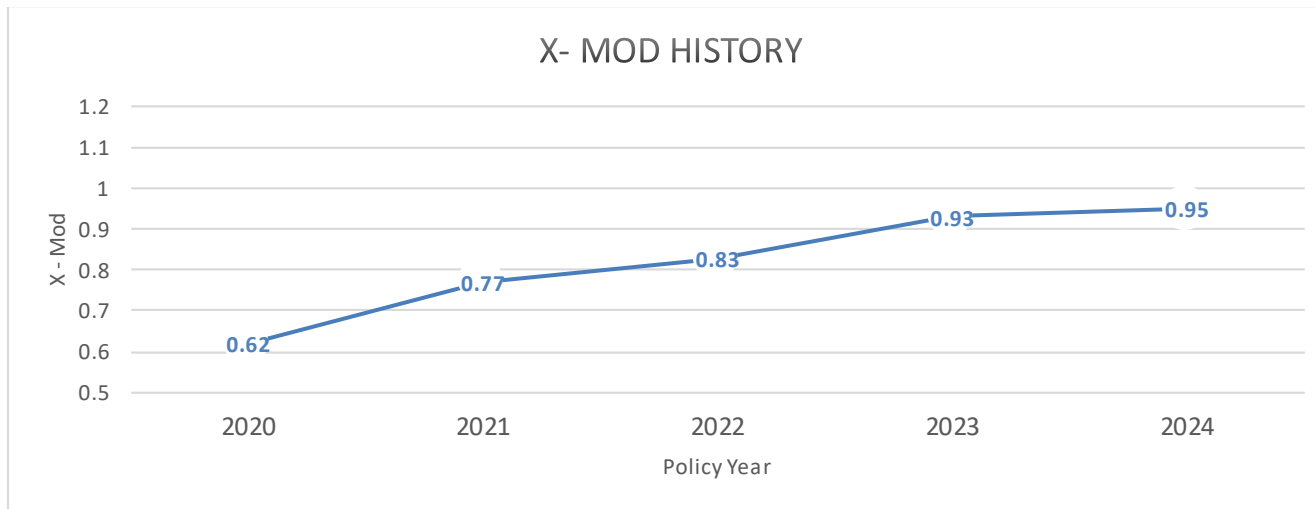
The account and methodology give a representation of the actual rate change, not just the premium change.

Note that the data is calculated as one standard deviation for all renewals. The Gallagher Drive insights capture intermediated renewals and exclude rate change data from risk pools and captive insurers.

Historical Program Exposures

Class Code	Description	2020 – 2021 AUDITED	2021 – 2022 AUDITED	2022 – 2023 AUDITED	2023 – 2024 ESTIMATED	2024 – 2025 PROJECTED
7380	Chauffeurs & Helpers	\$24,795	\$24,704	\$41,852	\$56,188	\$45,657
7382	Bus Co. All Other Employees	\$1,345,763	\$1,676,667	\$2,034,831	\$2,490,413	\$2,219,825
8385	Bus Co. Garage Employees	\$229,051	\$230,979	\$368,257	\$516,546	\$401,737
8868	College Professional Employee	\$72,235,046	\$77,070,867	\$79,849,630	\$80,733,241	\$87,109,062
9101	College – All Other Employee	\$3,523,256	\$3,757,553	\$3,737,279	3,917,005	\$4,077,049
Total		\$77,357,911	\$82,760,770	\$86,031,849	\$87,713,393	\$93,853,330

Historical Characteristics:



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Workers' Compensation Claims Summary

HISTORICAL FOUR YEARS

WORKERS' COMPENSATION										
POLICY TERM	CARRIER NAME	IND / PD PAID	MED / BI PAID	EXPENSES PAID	TOTAL PAID	TOTAL RESERVES	TOTAL INCURRED	# OF OPEN CLAIMS	# OF CLOSED CLAIMS	# OF CLAIMS
07/01/2020	RAS	\$17,437	\$59,176	\$14,139	\$90,752	\$0	\$90,752	0	28	28
07/01/2021	RAS	\$46,136	\$156,929	\$15,816	\$218,881	\$0	\$218,282	0	70	70
07/01/2022	RAS	\$75,717	\$171,775	\$4,714	\$252,206	\$39,393	\$291,599	2	73	75
07/01/2023	RAS	\$17,921	\$85,437	\$5,329	\$108,687	\$182,310	\$290,997	17	53	59
TOTALS:		\$157,211	\$473,317	\$39,998	\$670,526	\$221,703	\$891,630	19	224	243

- 2019 Total Claims - \$394,804
- 2018 Total Claims - \$134,620
- 2017 Total Claims - \$73,908

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Workers' Compensation

EXPERIENCE MODIFICATION VALIDATION

Mod Analysis for Independent School District 273

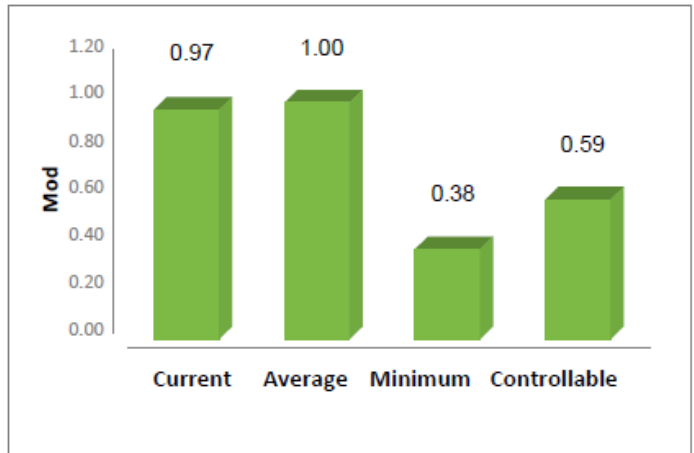
Mod Snapshot

Effective date: 7/1/2024

The Key Numbers

Total expected losses	\$523,151
Total expected primary losses	\$248,532
Total expected excess losses	\$274,619
Total unlimited losses	\$558,982
Total limited/adjusted losses	\$505,843
Total actual primary losses	\$228,161
Total actual excess losses	\$277,682
Computed ballast value	48,635
Computed weighting value	0.39
Modification factor	0.97
ARAP factor	1.00

Mod Breakdown



Impact of Top Itemized Losses

State	Injury Date	Incurred Loss	Impact on Mod	Mod w/o Loss
MN	9/30/2021	\$97,441	0.0851	0.8813
MN	5/26/2023	\$85,839	0.0772	0.8892
MN	9/25/2022	\$56,153	0.0570	0.9094
MN	3/2/2023	\$47,092	0.0508	0.9156
MN	12/10/2021	\$37,203	0.0440	0.9224
MN	10/5/2022	\$36,723	0.0437	0.9227
MN	7/30/2021	\$27,980	0.0377	0.9287
MN	3/9/2021	\$26,637	0.0368	0.9296
MN	2/20/2023	\$20,114	0.0324	0.9340
MN	8/30/2021	\$15,720	0.0275	0.9389

Actual vs. Expected Losses by Policy Period



- 2024 Experience MOD Calculated By MWCIA – 0.95

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2024 Strategic Review

RECAP OF EARLY RENEWAL RATE EXPECTATIONS AND RESULTS FROM THE INCUMBENT MARKET

Coverage	Carrier	Rate Indication	Rate Results	Comments
Workers' Compensation	RAS	<p>Initial renewal indication of \$477,267 or 3% premium increase before any change in payroll figures.</p> <ul style="list-style-type: none"> 2024 Experience Mod Increasing 2% from 0.93 to 0.95. Program in RAS's lowest rate tier – DTU With 2024 Loss Projection – RAS underwriting to a 55% loss ratio. 	Exceeded goal and secured a 3% rate decrease .	<ul style="list-style-type: none"> Overall Loss ratio - 68% 3 year loss ratio - 78% Current loss ratio - 65% RAS overall rates decreasing 10-15% RAS school book sustaining headwind due to claim activity. No change to program structure.

Pure Loss Rate

Independent School District 273

Based on the selected pure loss rate and the projected Payroll, here are the projected losses for the 7/1/2024 - 7/1/2025 period.

Computation of Projected Losses										
Selected Pure Loss Rate	X	Projected Payroll \$100	=	Projected Losses	➔	\$ 0.30	X	\$87,713,393 \$100	=	\$ 263,140



Renewal Premiums

2024 WORKERS' COMPENSATION RESULTS

	2023 Expiring	2024 Renewal
Carrier	RAS	RAS
Premium	\$447,266	\$467,035
Surcharges	\$15,058	\$13,525
Total Premium	\$462,324	\$480,560
Net Rate	\$0.53	\$0.51

Previous 2022 Marketing Results

- SFM – Declined due to loss history and not competitive at current rate structure.
- Employers – Declined, too large of a school account for them.
- United Heartland – Indicated above RAS renewal.

Notes:

- Maxed Scheduled Credit of 40% provided in 2021
- Scheduled Credit of 37% provided in 2022.
- Payrolls increased 7% in 2021 and 2.5% in 2022 and 3.6% in 2023 and 7% in 2024.
- **Expiring Premium in 2019 with SFM/Previous Broker - \$476,151 (\$0.60 net rate)**

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