

No. _____



UNITED INDEPENDENT SCHOOL DISTRICT AGENDA ACTION ITEM

TOPIC Renewal of District Property and Casualty Insurance

SUBMITTED BY: Robert Chapa **OF:** Risk Management

APPROVED FOR TRANSMITTAL TO SCHOOL BOARD: _____

DATE ASSIGNED FOR BOARD CONSIDERATION: April 16, 2008

RECOMMENDATION:

Administration has finalized renewal negotiations for Property and Casualty Insurance coverage and recommends approval for renewal of the P&C coverage as proposed.

RATIONALE:

On February 9, 2006 the Board approved a two year contract for property and casualty coverage with The Property & Casualty Alliance of Texas (PCAT). The approved contract expires August 31, 2008.

Given the favorable loss record of the district PCAT has submitted a 5 year renewal proposal at a rate equal to -12.5% of the current rates. The new rates will be fixed for 5 years.
Administration recommends acceptance of the proposal.

BUDGETARY INFORMATION:

P&C premiums are included in the 2008-2009 budget.

BOARD POLICY REFERENCE AND COMPLIANCE:

None



Addendum to the Interlocal Agreement

For
United ISD

OPTION ONE - 5 YEAR FUND RATE GUARANTEE

1. The Property Casualty Alliance of Texas (PCAT) and United Independent School District (UISD) agree that UISD will be a PCAT Member for the 2008-2009 through the 2012-2013 Participation Period. UISD will receive a **12.5% Discount** from the 2007-2008 rates, and these discounted rates will apply through the 2013 Participation Period. The deductibles and coverages in effect for 2007-2008 will continue to apply, and the exposures of each Participation Period will be the basis for determining the Contributions due to PCAT for each respective period.
2. This Interlocal Agreement Addendum along with the original Interlocal Agreement, signed on April 29, 2003, shall represent the entire agreement and may not be amended or altered without the written consent of both parties. This Addendum supersedes and replaces prior PCAT Addendums.
3. This Addendum may be voided if there are material changes in the terms or conditions of reinsurance for PCAT. However, if this Addendum is terminated by PCAT, no short-term penalty will be incurred by UISD.
4. If UISD terminates this Addendum, a short-term cancellation penalty of fifteen percent (15%) of Annualized Contributions for the 2007-2008 Participation Period will be due from UISD and payable to PCAT within 30 days after notice of termination is received.
5. UISD agrees to make a best efforts attempt to obtain and appropriate funds for payment of PCAT Contributions.

Sign Here to Choose the 5 Year Guarantee

OPTION TWO - 3 YEAR FUND RATE GUARANTEE

1. Same terms as Option One, except only a **7.5% Discount** will apply through the 2010-2011 Participation Period.

Sign Here to Choose the 3 Year Guarantee

OPTION THREE - 2 YEAR FUND RATE GUARANTEE

2. Same terms as Option One, except only a **2.5% Discount** will apply through the 2009-2010 Participation Period.

Sign Here to Choose the 2 Year Guarantee

This Addendum must be executed prior to May 1, 2008 to be effective.

IN WITNESS WHEREOF, the undersigned agrees to this Addendum.

UISD Member Representative

Joe Schultz, PCAT Chairperson

Date

Date



Edwards Risk Management, Inc.



MEMBER COST REDUCTIONS

2008 Estimated Savings

\$ 130,640	Cash Dividend
189,575	Premium Decrease (Increase)
22,500	State-Mandated Security Audits (Funded by PCAT)
33,176	My Community Workplace
9,953	Property Valuations (Updated Annually)
13,270	Hands-On Loss Control Services
\$ 399,113	TOTAL

Future Estimated Savings

\$ 65,320	Cash Dividend - 2009 *
379,150	Premium Decrease (Increase) - 2009 & 2010
66,351	My Community Workplace - 2009 & 2010
900,059	Present Value of Unencumbered Fund Balance *
\$ 1,410,880	TOTAL

* The PCAT Board approved a minimum \$1,000,000 Dividend to be distributed to all PCAT Members who are in good standing as of 3/1/2009. By contract, Members forfeit all future benefits of unencumbered fund balance if they are no longer a PCAT Member.

GENERAL INFORMATION

Robert Chapa
PCAT Member Representative
(Authorized To Bind Coverage With PCAT On Behalf Of School Entity)

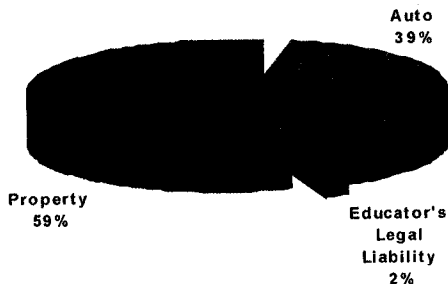
Current Expiration Date
9/1/2008

FIELD SERVICE REPRESENTATIVE

Johnny Rivera
Carlisle Insurance Agency, Inc.
361-664-4348

United ISD
Has Entrusted Its Property / Casualty Insurance
With **Johnny Rivera**
Since 2001

MEMBER CLAIMS ACTIVITY



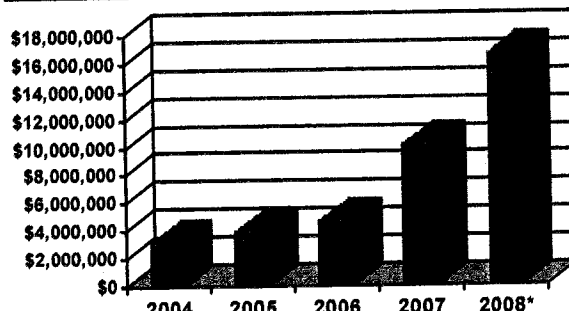
Most Severe Loss
\$614,719.14
Wind / Hail

PCAT FUND DATA

\$ 39,340,154	Total Net Assets
\$ 26,359,285	Annualized Contributions
\$ 16,779,264	Fund Balance
96	Number of Members

* As of 12/31/2007

PCAT FUND BALANCE



* As of 12/31/2007

THE PCAT PHILOSOPHY

PCAT realizes that School Risk Managers have two basic choices when purchasing their property and casualty insurance. One method is to ride the market with single-year coverage, buying from any vendor at the lowest up-front price when the market is at a low, hoping their budget can handle the surcharge in premiums when the market swings in the opposite direction, and hoping that the insurer stays in the market when storms, fire or other factors drive increased claims activity.

PCAT believes that this is "Risk Reaction" and not "Risk Management." The discounted coverage bought this year is simply underfunded risk with the true costs being deferred to the near future in the form of inflated premiums – assuming the coverage is still available.

PCAT was developed for School Risk Managers who are not satisfied with costs that can only be predicted for one year. PCAT Members look for long-term cost savings over comparable single-year coverage.

PCAT Members understand that while they cannot predict claims activity, they can mitigate the impact of market swings on their budgets and they know they will have the same PCAT Partners by their side year after year.

Risk Management
- Not Risk Reaction™



UNITED INDEPENDENT SCHOOL DISTRICT

PREMIUM SUMMARY

Coverage		2007-2008
Property	\$	886,293
Equipment Breakdown	\$	44,169
General Liability	\$	72,977
Educator's Legal Liability	\$	136,092
Auto Liability	\$	294,796
Auto Physical Damage	\$	63,657
Pollution Liability	\$	2,528
Flood	\$	7,329
Total	\$	\$1,507,841

*EFFECTIVE: 9/1/07 TO 9/1/08

*FLOOD COVERAGE EFFECTIVE 1/3/08 TO 1/3/09

*RATES DID NOT CHANGE, AS THEY ARE GUARANTEED. THE ABOVE PREMIUMS SIMPLY REFLECT ANY CHANGES IN EXPOSURE SUCH AS PROPERTY VALUES AND ANY ADDITIONAL VEHICLES.

INSURANCE ■ FINANCIAL SERVICES ■ REAL ESTATE

Presented by: Carlisle Insurance Company ■ P.O. Box 12230 ■ Alice, Texas 78333 ■ 361/664-4348 ■ Fax 361/664-1822

www.carlisleins.com



PROGRAM FEATURES

- ♦ Member Owned & Governed
- ♦ Interlocal Agreement (*satisfies bidding requirements*)
- ♦ 96 Member School Districts
- ♦ \$26,000,000 in Annual Contributions
- ♦ 2nd Largest School Pool in Texas
- ♦ 13th Largest Public Entity Property/Liability Pool in the U.S.
- ♦ \$3,000,000 Cash Dividends in 2008/2009
- ♦ 100% of Members Chose to Renew with PCAT in 2007
- ♦ In a January 2008, Anonymous Independent Survey:
 - ✓ 100% Satisfied with PCAT as a Whole
 - ✓ 100% Likely to Recommend PCAT
 - ✓ 100% Said Products/Services Meets Needs
 - ✓ 100% Satisfied with Professionalism of Agent
- ♦ Supported by Largest Reinsurance Company in the World
- ♦ Annual Property Valuations
- ♦ Hands-on Loss Control Services
- ♦ www.PCAT.MyCommunityWorkplace.org
- ♦ SafeBus© (1-866-Saf-eBus)

NEW FOR 2008

- ♦ www.PCATprogram.org – will debut in May
- ♦ Simplified Web-Based Renewal Application
- ♦ Coverage Enhancements



Edwards Risk Management, Inc.

