



Oak Park Elementary School District 97

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TO: Dr. Ushma Shah, Superintendent of Schools
Board of Education

FROM: Patrick King, Senior Director of Finance

SUBJECT: Collective Liability Insurance Cooperative

DATE: June 13, 2023

Oak Park District 97 has been a member of the Collective Liability Insurance Cooperative (CLIC) since July 1, 1991. This property and liability insurance cooperative was established during the 1983-1984 school year with only eight school districts as founding members. Today, the pool now has 188 member school districts.

Coverages through CLIC includes general liability, auto liability and physical damage, property, boiler & machinery insurance, school board legal liability insurance, student accident, cyber liability/identity theft, crisis protection, and pollution liability insurance. The 2022-2023 annual premium was \$355,085 and the proposed 2023-2024 premium is \$382,111, an increase of 7.6%. Attached to this memo is a cost sheet listing the variable and fixed costs that make up the annual program cost.

Attached is a memo from Risk Program Administrators, the co-op's administrator, explaining the increase is due to several factors including rising inflation, construction costs, labor costs, fuel costs and severe losses from storm throughout the United States have also caused carriers to obtain reinsurance at increased costs.

The cooperative uses the average loss ratios for the previous five years in the calculation of the 2023-2024 individual renewal rates—see attached. The overall 5-year loss ratio increased slightly for D97 compared to the prior year. While the past 2 years in the calculation were stable, the district had a large loss ratio in 2017/18 of 552.8%, following the freezing and bursting of pipes in January of 2018 at Lincoln School. There was a slight increase in claims payments for the 2019/20 school year as well. The school board legal liability loss ratio has been as good as it can be, with a loss ratio of zero—also attached.

Executive Summary

PROPERTY/CASUALTY

On July 1, 2023 CLIC will begin its 41st year of service to Illinois Public School Districts. It is truly an honor to have the opportunity for our team to be of service to all of you.

As we sit down to write this Executive Summary, inflation continues to impact the insurance marketplace elevating carrier's loss costs which directly impact carrier's ability to offer property and liability capacity. As the Federal Reserve raises interest rates to combat inflation, many economists believe the US economy will enter into a recession in 2023. Potential reduced economic output could directly impact insurance profitability.

On the property side of the market, we are seeing an increase in cost of building materials, labor and fuel costs which in turn increases overall claim costs and adds to the claim resolution time. 2023 will look similar to 2022 for many of the following reasons:

- Total global insured losses from Natural hazards exceeded \$140 billion, much of these contributed to by Hurricane Ian.
- Wildfires, freezes, snowstorms and severe convective storms continued to plague the marketplace. These claims are estimated to have contributed \$73 billion, or 62%, to 2022 insured losses.
- 12/31 Reinsurance treaty renewals were very challenging for insurers.
- Driving factors of challenging marketplace climate include capital erosion, increased limit demands due to inflation, reduction in global dedicated reinsurance capacity, and lack of profit due to large catastrophic losses.
- Costs to rebuild have significantly gone up year over year. Carriers are closely scrutinizing statements of values submitted and are benchmarking them against in house tools to estimate replacement cost values. An inflation trend of at least 10% is being seen in almost all cases, with many seeing much higher than that with 20%, 30% or even 40% not being out of the ordinary (CLIC members will see an 8% inflationary trend on Buildings for 2023/2024).

Social inflation, plaintiff friendly judgements and "nuclear" jury awards continue to escalate loss costs and drive the need for rate, especially for excess insurers. For school districts, insurers continue to add exclusions, or reduce limits, for Sexual Abuse coverage, Traumatic Brain Injury (TBI), opioids, cannabis and violent acts. These types of exclusions in the marketplace make finding insuring partners to build large limit towers more challenging than ever.

In looking at claim counts for all lines of coverage it is evident that our schools have resumed normal operations over the course of the last eighteen (18) months, especially on the Auto line of coverage with claim counts almost double. Supply chain issues have made it more costly to repair vehicles while labor shortages have made it tough for districts to find capable drivers. These factors contribute to increased frequency in claims through less talented, or busier drivers, and increased severity in claims through costlier repair parts.

For the 2023/2024 renewal, terms were offered by CLIC's primary liability, auto, crime and stop loss reinsurer, Great American Insurance Company. We sat down with them in early January to begin preliminary negotiations

on the renewal. During our discussion it was brought up that the Cooperative did see some significant movement/increases in claims reserves on five cases over the past year. Taking this information into consideration, we negotiated adding an annual aggregate deductible in the amount of \$500,000 to the policy. This is something CLIC is able to fund through equity and not pass on to our membership. What this means to the membership is that this line of coverage will see a renewal that is essentially flat from both a premium and loss fund standpoint.

In regards to the Excess Property renewal, we continue to have a very competitive rate. We started our renewal negotiations with our long term partner in December with pre-renewal meetings. We reviewed the long term history, the losses, and discussed the valuation factor of the Total Insured Values. Due to increases in reinsurance costs, CLIC's excess property reinsuring partner, Travelers, needs a moderate rate increase of 17% to reflect current marketplace conditions which in addition to the inflation factor of 8% on values previously mentioned. While this may seem substantial at face value, it should be kept in mind that other programs are seeing inflation factors of anywhere from 10% - 40% on top of margin clauses which could penalize an insured in the case of a loss if the building is not within a certain percentage of its replacement cost valuation. We were able to negate this for CLIC based on the appraisal program in place and members commitment over the years to ensure accuracy in values. The 2023 CLIC renewal rate we negotiated with Travelers is still under 2.5 cents per \$100 in values which is extremely competitive when compared to other program rates including standard K-12 school district insurance placement in Illinois which are seeing rates in the 9 – 16 cent range per \$100 in values. This line of coverage will continue to be a challenge in the future as catastrophic losses continue to rise globally. While losses such as Wildfires and hurricanes do not affect our members directly, they do effect the overall property marketplace significantly.

For the 2023/2024 School Board Legal Liability renewal we looked to push the larger portion of the increase to the variable costs via the loss fund as opposed to the fixed costs via the premium. The loss fund on this line of coverage was due for a substantial increase as the cooperative has relied on the aggregate stop loss coverage in a number of years which is a trend that continues as policy years become older and further develop. For reference, when the aggregate stop loss coverage is accessed it means the policy essentially becomes "first dollar" and the Cooperative no longer has to provide its \$150k retention. As you can imagine when this occurs the claim dollars for the insurer accrue much quicker driving the loss ratio higher (Average Loss Ratio from 2014 – 2019 = 127%). Note 2019 is the last year used as the line of coverage generally takes a number of years to develop and give a reasonable idea where it may ultimately land. For reference insurers typically target a loss ratio of 40% or lower when contemplating a "favorable" or "unfavorable" risk. The line of coverage is marred by questionable HR decisions that lead to significant employment related claims and IEP/Due Process matters that continue to rise year over year burning through member deductibles and the Cooperative's claim dollars in the process. We hope to have reached a point where the premium and loss fund for this line of coverage are at adequate levels, however will need favorable policy years to come onto the books to ultimately justify this.

CLIC's Boiler & Machinery coverage carrier, Chubb Insurance Company, has been a long-term strategic partner for the Cooperative. As you may recall we negotiated a two-year rate guarantee on this line of coverage last year (subject to a favorable loss ratio). We are pleased to announce we qualified for that rate guarantee in 2023 and have negotiated an extension of that guarantee another year (again subject to a favorable loss ratio). Please keep in mind while the rate remains the same, the exposure did go up substantially due to inflation trends and new square footage coming onto member's respective statements of values.

We are happy this year to not bring doom and gloom when it comes to the Cyber line of coverage. This marketplace is showing signs of stabilization for risks that have engaged pertinent mitigation measures like Multi-Factor Authentication (MFA). In addition to more favorable data from members this year we were also able to speak highly of CLIC's engagement in a formal Cyber Loss Control program through the partnership with Secure Halo to provide all members four (4) hours of mandatory Cybersecurity consulting. The improved application answers and perceived commitment to bettering risk through a formalized loss control program enabled us to actually secure a decrease on this line of coverage. The time and efforts many of your districts have put into Cybersecurity is much appreciated. We hope districts continue to look to improve in their mitigation measures as the Cyber risk will only continue to evolve as technology does with advancements like ChatGPT.

CLIC's Excess Liability carriers are not immune to the trials and tribulations of the general liability and automobile liability losses as increased loss costs drive more of these claims beyond the primary layer. In addition to catastrophic losses that some of these insuring partners are seeing, there is the continual fear of the "nuclear" sexual abuse verdict or the severe bus crash that burns through the excess liability tower. Actual claims being seen in addition to the potential for large losses push excess insurers to seek rate hikes so the deals they are putting on the table can be justified in the case a limits loss hits their layer. As seen in the later pricing pages there is a trend among the excess insurer increases with the majority at almost the same increase percentage. The CLIC program will continue to provide each member with \$37M in liability protection overall with no exclusions for sexual abuse, TBI or violent acts.

With the Student Accident coverage coming off a two-year rate guarantee we saw it as a good time to do a full marketplace exploration. The two (2) most competitive options came from our current insuring partner, Gerber, and Guaranteed Life Trust a firm we've seen bring strong program options to other pooling clients we work with. In both cases significant rate reductions were provided on the mandatory coverage with a limit enhancement on the catastrophic coverage (\$6M to \$7M). Both insurers also offered two-year rate guarantees. The final determination of staying with Gerber came down to Enhanced Benefits in the Catastrophic coverage that can be accessed by any claimant with an injury exceeding the mandatory coverage; something the Guaranteed Life Trust proposal did not provide for. In addition Gerber has also managed claims expenses through their WebTPA partnership which is one of the reasons the Cooperative is able to continue seeing decreases on this line of coverage.

CLIC's less significant lines of coverage like Gallagher Crisis Protect (GCP) and Pollution Liability will see nominal increases. In regards to GCP, world events like the Russia/Ukraine war, South African riots and Chilean civil unrest are causing large losses to insurers in the Political Violence marketplace, which in turn is causing reinsurance costs to increase and be passed back into the direct marketplace, regardless of territory. This is not to mention future potential for civil commotion which is anticipated to be the next big threat around the globe, particularly as the cost of living continues to increase, energy prices soar, companies continue to cut cost, politics, inflation and the ongoing conflict in Ukraine/Russia. All of these factors could lead to people on the streets and/or striking which could lead to disturbances. It can also drive people to have mental health issues and worries which further fuels the possibility of active shooter or similar man-made security based events. On the Pollution side, increase costs of materials and labor, similar to Property are a driving factor in insurers seeing a need for more premium dollars. This is further exemplified by multiple six-figure mold claims that members have incurred; while not overly frequent, a couple of these a year can easily negate all of the premium collected by the insurer.

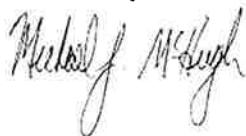
In spite of the continuing turmoil in the property marketplace, and our society continuing of catastrophic losses, CLIC's 2023/2024 renewal pricing, coverages, limits and deductibles remain highly competitive. We continue to add new members to the program as CLIC provides these additions with not only cost savings, but a more comprehensive coverage offering.

During the last four years of an extremely hard market, CLIC has continued to offer all of its members, safety, stability, and protection from what is available in the standard marketplace.

CLIC continues to build upon its reputation in the risk management area as the premier scholastic insurance cooperative. This reputation in the marketplace continues to allow us to add A-rated, quality insuring partners.

We would like to thank you and your staff for your time and dedication to this program during the past year.

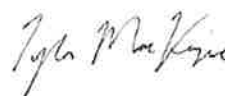
Yours Truly,



Michael J. McHugh
Area Senior Executive Vice President
Program Administrator



Byron Given
Area Senior Vice President
Program Administrator



Tyler MacKenzie
Account Executive – Key Accounts
Program Administrator



**Collective Liability Insurance Cooperative (CLIC)
Oak Park School District #97
Member Cost Comparison**

Coverage Description	Additional Description	2022-2023	2023-2024	% Change
Fixed Costs				
Package (includes General Liability, Auto Liability, Garage Liability, Police Professional/Security Guards, Bullying and Crime)		\$9,518	\$9,515	
Property (including Auto Physical Damage)	\$575,000,000 Limit	\$66,818	\$83,108	
Boiler & Machinery		\$5,841	\$6,456	
School Board Legal Liability	\$40,000 Deductible	\$18,898	\$19,945	
Excess Liability	\$36M xs \$1M Limit	\$25,551	\$28,925	
Student Accident - Mandatory		\$22,478	\$19,955	
Student Accident - Catastrophic		\$5,550	\$5,467	
Pollution Liability		\$4,080	\$4,718	
Primary Cyber Liability (1)	\$2M Limit; \$100,000 Deductible	\$42,194	\$29,161	
Excess Cyber Liability (2)		\$0	\$0	
Crisis Protect		\$1,735	\$1,931	
RPA Administration Fee		\$16,972	\$17,651	
Gallagher Bassett Services Claims Administration Fee		\$2,956	\$3,000	
Gallagher Bassett Services Loss Control Fee		\$995	\$995	
CLIC Program Management Operating Fee		N/A	N/A	
Total Fixed Costs		\$223,586	\$230,826	3.2%
Variable Costs:				
Loss Fund - Package	includes actuarial debit/credit (3)	\$123,214	\$141,940	
Actuarial Debit/Credit - Package		20.0%	11.1%	
Loss Fund - School Board Legal Liability	includes actuarial debit/credit (3)	\$8,285	\$9,345	
Actuarial Debit/Credit - School Board Legal Liability		-13.0%	-10.7%	
Total Program Contribution on a Maximum Cost Basis		\$355,085	\$382,111	7.6%
Statistical Information				
Total Insurable Values (Includes Vehicles)		\$325,940,712	\$346,500,611	6.3%
Students		5,550	5,467	-1.5%
Vehicles		10	10	0.0%
Total Program Costs Due for July 1, 2023-2024		\$382,111		7.6%

(1) Full Limit for Ransomware. If your district is not receiving the "Full Limit" for Ransomware that means your district is receiving a sublimit as Multi-Factor Authentication (MFA) was not being completely engaged when renewal info was collected this past January. This sublimit can be removed with completion of the MFA Attestation form included in your district's renewal email.

(2) For the 2022-2023 Expiring term only \$1M in Excess Cyber Liability was available so if a value is shown for the expiring cost that represents an additional \$1M in Cyber cover. If no value is shown this means your district did not purchase any additional Cyber cover for the 2022-2023 Expiring term.

(3) Actuarial Debit/Credit is provided by independent audit firm Milliman, Inc. based on each district's loss experience for the past 5 years, not including the current year.

Collective Liability Insurance Cooperative

Individual Member Property/Casualty Loss Ratio

As of December 31, 2022

Member: Oak Park School District #97

Policy Term	Total Paid & Reserved Losses within CLIC's Retention	CLIC Loss Fund Collected	Loss Ratio
2017/18	374,811	67,806	552.8%
2018/19	3,722	54,069	6.9%
2019/20	16,328	64,610	25.3%
2020/21	4,321	81,843	5.3%
2021/22	0	105,229	0.0%
Total	\$399,183	\$373,557	106.9%

- Please note the above figures do not contain any trending or development factors that are known to increase open claims.
- Five years of loss data, valued as of 12/31/22, was utilized in the calculation of the 2023/2024 Debit/Credit Allocations.
- Individual Property losses have been capped at \$500,000
- Individual Liability losses have been capped at \$200,000

Collective Liability Insurance Cooperative

Individual Member School Board Legal Liability Loss Ratio

As of December 31, 2022

Member: OAK PARK SCHOOL DISTRICT #97

Policy Term	Total Paid & Reserved Losses within CLIC's Retention	CLIC Loss Fund Collected	Loss Ratio
2017/18	\$0	\$10,659	0%
2018/19	\$0	\$11,991	0%
2019/20	\$0	\$9,787	0%
2020/21	\$0	\$7,148	0%
2021/22	\$0	\$8,713	0%
TOTAL	\$0	\$48,298	0%

Please note the above figures do not contain any trending or development factors that are known to increase open claims.

Five years of loss data valued as of 12/31/22 was utilized to calculate the 2023/2024 Debit/Credit Allocations.

PYRAMID LEVEL : SCHOOL DISTRICT
PYRAMID UNIT : 0970 OAK PARK SD #97
LOSS PROGRAM : 02 AJG CO PROGRAM
REPORT DESCR : ONE PAGE SUMMARY OF LOSS INFORMATION BY CLAIM PERIOD.

CLM PER	BEGIN DATE	ENDING DATE	CLOSED CLAIMS	OPEN CLAIMS	TOTAL CLAIMS	NET PAYMENTS	REMAINING RESERVE	TOTAL EXPERIENCE	LESS: SPEC. EXCESS LOSS	AGGREGATE LOSSES
19	01Jul22	01Jul23	0	2	2	11484	14516	26000	0	26000
17	01Jul20	01Jul21	1	0	1	4321	0	4321	0	4321
16	01Jul19	01Jul20	3	0	3	16328	0	16328	0	16328
15	01Jul18	01Jul19	5	0	5	3722	0	3722	0	3722
14	01Jul17	01Jul18	4	0	4	374811	0	374811	0	374811
13	01Jul16	01Jul17	3	0	3	32761	0	32761	0	32761
12	01Jul15	01Jul16	5	0	5	30176	0	30176	0	30176
10	01Jul13	01Jul14	2	0	2	51327	0	51327	0	51327
09	01Jul12	01Jul13	1	0	1	1040	0	1040	0	1040
08	01Jul11	01Jul12	4	0	4	32856	0	32856	0	32856
07	01Jul10	01Jul11	1	0	1	0	0	0	0	0
06	01Jul09	01Jul10	3	0	3	220	0	220	0	220
05	01Jul08	01Jul09	13	0	13	25843	0	25843	0	25843
04	01Jul07	01Jul08	15	0	15	399096	0	399096	0	399096
03	01Jul06	01Jul07	3	0	3	5423	0	5423	0	5423
02	01Jul05	01Jul06	4	0	4	12431	0	12431	0	12431
01	01Jul04	01Jul05	12	0	12	44924	0	44924	0	44924
T O T A L S			79	2	81	1046763	14516	1061279	0	1061279