



# Oak Park Elementary School District 97

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**TO:** Dr. Albert G. Roberts, Superintendent of Schools

**FROM:** Therese M. O'Neill, Assistant Superintendent for Finance & Operations

**RE:** Collective Liability Insurance Cooperative (CLIC) – 2011-12 Renewal

**DATE:** June 12, 2012

Oak Park District 97 has been a member of CLIC (Collective Liability Insurance Cooperative) since July 1, 1991. This property and liability insurance cooperative was established during the 1983-84 school year with only eight school districts as founding members. Today, the pool now has 164 school districts as members. Attached is an Executive Summary (see Attachment #1) delineating the renewal of the 2012-13 school year.

This property & liability insurance cooperatives provides for District 97's general liability, auto liability and physical damage, boiler and machinery insurance, school board legal liability insurance, student accident, identity theft and pollution liability insurance. Last year's annual premium was \$267,105 and the premium for 2012-13 is proposed at \$298,476 or an 11.74% increase (see Attachment #2). As delineated in the Executive Summary, 7% of District 97's overall increase is expressly a component of CLIC itself and the overall's pool experience with catastrophic losses over the last three years and the increase in the number of sexual abuse violations over the past five years. The remaining 4.4% is due to our loss experience.

This renewal will be brought back to the Board for formal approval at its June 26, 2012 meeting.

Attachments (2)

## Executive Summary

### Property/Casualty

As the CLIC Cooperative begins its 30th year of service to the Illinois School Districts, it continues to position itself with greater financial strengths, and is one of the premier risk-bearing Educational Cooperatives in the United States.

As we outlined at our December meeting, the Property/Casualty insurance rates are beginning to trend upward. This trend is known as a “firming marketplace.” This firming began in the fourth quarter of 2011 and is expected to continue throughout 2012.

Traditionally, the Property/Casualty carriers make money through investment income and underwriting profit. As we all know for the past few years, investment income has been non-existent. Taking into account the catastrophic losses that have occurred over the past three years, many insurance carriers have seen their loss ratios exceed 110% and higher. During the period of 2008-2011 hurricanes received all of the headlines, but according to the Insurance Information Institute, the main cause of damage was not the hurricanes but it is thunderstorms and tornadoes. Since the early 1980s average thunderstorm losses are up more than five times. In 2011, thunderstorm losses accounted for over \$25.8 billion in damages. When you review the CLIC five-year loss history you will find that the Cooperative is not immune to these severe property claims.

Another area of concern for insurance carriers is the increase over the past five years of alleged sexual abuse violations against children. Many of these cases occurred 10-15 years ago and are now just being brought forth. This is causing a severe economic reaction to the insurance carriers’ financial statements. Many of the liability carriers are reevaluating their criteria to provide this coverage to public entities. We are beginning to see carriers ask many more underwriting questions and in some instances restricting coverage and/or limits.

During this past policy term, the CLIC Cooperative accomplished numerous goals. Examples of these are as follows:

- Gallagher Bassett Services, Inc. offered to the membership at no cost six training Webinars dealing with numerous loss control initiatives.



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- Working with CLIC's actuarial firm Milliman & Company, CLIC developed an actuarial program to allocate members' loss fund contributions.
- Introduced to the membership an online web-based loss control and training platform that districts can utilize to train all employees in proper safety techniques. It is anticipated that in 2012 another 6-8 loss control topics will be added to the available library.
- The CLIC Self-Insured Workers Compensation Program added four quality districts, bringing total membership to 125 districts.
- The CLIC Executive Committee continued to look for ways to reduce members' program costs. In 2011 the Cooperative returned over \$1,200,000 in School Board Legal surplus, and again returned \$1,000,000 in Interest Income from the Workers Compensation Program to members in good standing as of 7/1/2011.

In regards to CLIC's 2012-2013 Excess Property renewal we conducted a very extensive marketing effort. This was done in anticipation of the current state of the Property marketplace. As previously outlined, the United States did escape major hurricanes during the past year. Unfortunately, the U.S. did experience 14 weather related catastrophes. Many of those losses occurred in the Midwest and Southeast portions of the United States. During the third quarter of 2011 all insurance carriers, reinsurers, and rating agencies all began using RMS 11-0 to value each of their portfolio's catastrophic risk exposure.

The RMS 11-0 Model is causing insurers to reduce capacity offerings for wind exposed property risks, consider layering of risk by making risks take higher deductibles and retentions, making carriers offer coverage limitations and modifications to policies, and finally carriers are seeking rate increases.

As you will see in the Market Survey, we approached over 6 different Property carriers, who gave us 8 different premium options to quote. In spite of the total insured values increasing by 4% we have received very competitive renewal options.

Our Boiler Carrier, the Chubb Insurance Company has again offered a competitive renewal by offering renewal terms with a 1% rate increase and a three-year rate guarantee.



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As you will note in the market survey, the area of strong emphasis/focus for the 2012-2013 renewal was our Excess Property and Excess Liability programs. The recommended carriers that were approached and that have been selected were not only chosen for their pricing or coverage benefits, but they were also chosen for their market stability and their ability to meet not only their immediate financial obligations, but also those obligations many years from now.

As the market continues to show signs of "firming" it is important to have a broker and program administrator who have the experience and expertise dealing with public schools. We provide the expertise of a National Broker with our local presence. We are not generalists. Our team deals daily with public schools throughout the United States and we deal with Sexual Abuse, EPLI, and School Board Related issues that our clients deal with daily.

As CLIC brings its 30th year of service to Illinois school districts, one premise has always applied to the program and it still does today. That premise is that the CLIC program has allowed each district to truly control their own destiny.

Looking at the controlled growth and quality districts that have joined the program over the last few years, it is evident that CLIC continues to be a very competitive and attractive alternative for Illinois school districts.

We would like to thank each district for your continued support and cooperation during the past year. We really enjoy working and counseling each of you and your staff.

Sincerely yours



Michael J. McHugh  
Area Executive Vice President



Tyler LaMantia  
Account Executive



Arthur J. Gallagher Risk Management Services, Inc.

**COLLECTIVE LIABILITY INSURANCE COOPERATIVE**  
**2012-2013 PROPERTY/CASUALTY**  
**PROGRAM COST COMPARISON**

**District: Oak Park School District #97**

Fixed Costs	2011-2012 Expiring	2012-2013 Proposed
Package (includes Property, General Liability, Auto Liability & Physical Damage and Crime)	\$15,717	\$16,313
Excess Property \$1,000,000,000	\$25,760	\$28,014
Excess Property \$100,000,000 xs \$1,000,000,000	\$621	\$664
Boiler & Machinery	\$4,961	\$5,106
School Board Legal Liability	\$7,364	\$6,983
Excess Liability \$34MM xs \$1MM	\$11,880	\$11,812
Student Accident - Mandatory	\$23,184	\$22,827
Student Accident – Catastrophic	\$5,455	\$5,371
School Violent Acts	\$758	\$0 *
Cyber Liability / Identity Theft	\$4,750	\$4,251
Pollution Liability	\$3,531	\$3,360
Arthur J. Gallagher Risk Management Services Fee	\$9,651	\$9,892
Gallagher Bassett Services Claims Administration Fee	\$4,763	\$4,729
Gallagher Bassett Services Loss Control Fee	\$1,990	\$995
CLIC On-Line Training Platform (gbriskcontrol.com)	\$200	\$200
<b>Total Fixed Costs</b>	<b>\$120,585</b>	<b>\$120,515</b>
% of Change		-0.06%

Variable Costs	2011-2012 Expiring	2012-2013 Proposed
Loss Fund – Package	\$141,065	\$172,805
Loss Fund – School Board Legal Liability	\$5,455	\$5,156
<b>Total Program Contribution on a Maximum Cost Basis</b>	<b>\$267,105</b>	<b>\$298,476</b>

<b>Total Program Costs Due for July 1, 2012-2013</b>	<b>\$298,476</b>
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Statistical Information	2011-2012 Expiring	2012-2013 Proposed	% Change
Total Insurable Values (Including Vehicles)	\$220,175,848	\$224,111,990	1.79%
Students	5,455	5,371	-1.54%
Teachers	470	475	1.06%
Vehicles	10	10	0.00%

\* School Violent Acts coverage is now included in Excess Liability at no extra cost