

Lakeland Joint School District #272

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**LJSD Vision: A community committed to academic excellence ...
dedicated to student success.**

Board Agenda Item **Request**

AGENDA ITEM: District Insurance Discussion

PURPOSE: Discuss District Insurance Policies

MEETING DATE: July 16, 2025

PREPARED BY: Jessica Grantham

INFORMATIONAL SUMMARY:

Chad Ranstrom from Moreton & Company has provided an executive summary regarding the recent bid process for the District's insurance coverage. After a comprehensive review of the information provided, it is clear that the District could not have conducted a more thorough RFP process without incurring additional costs and potential penalties. Chad Ranstrom will be present at the meeting to answer any additional questions the Board may have.

Additional Notes:

Anderson, Julian & Hull will remain the designated defense firm under the new insurance program.

FINANCIAL CONSIDERATIONS:

Our policy has a minimum 25% earned premium and a 10% pro-rated cancellation penalty.

To: Jessica Grantham

From: Chad Ranstrom

Date: 7/1/2025

Re: Lakeland SD Insurance Renewal

Thank you for the opportunity to provide further detail regarding our process for renewal of the Lakeland SD insurance policies and our school program.

Moreton & Company has been committed to providing stable, comprehensive, and cost competitive insurance solutions to our public school members for the last 40 years. Over 150 districts and charters in Idaho participate in our program. We understand Idaho public schools and the exposures you face. We tailor insurance coverages in order to safeguard against financial disaster in the wake of challenging situations, be that property damage or significant lawsuits. Lakeland School District benefits from the collective purchasing power of the group and the expertise of our team as we negotiate coverage on your behalf.

Marketing Summary

Over the last five years, we have experienced challenges with our previous insurance partner, ICRMP. Those challenges have included a 97% cost increase overall to our program and significant reductions to coverage for our membership. As such, we committed to market the program to all relevant insurance providers in the public sector segment. Our goal was to find financially stable partners with coverage broad enough to ensure our members were adequately protected. We spent several months in conversations with potential partners, here is a summary of the companies we approached:

Travelers

Liberty

Affiliated FM

Glatfelter Insurance Group

Selective Insurance Company

CNA

Chubb

Great American

AIG

Cincinnati Insurance Company

Philadelphia Insurance Company

Berkley Insurance Companies

Berkshire Hathaway
Lloyds of London
APIP
AXA
Obsidian Specialty Insurance Company

Our process was very thorough. We provided loss information, underwriting details, supplemental applications, etc. to all interested carrier partners. The partners we selected are the most cost competitive, have the tailored coverage we need, and are positioned financially to deliver the best long-term partnership to our program.

ICRMP Non-Renewal

As we were engaged in our marketing process, we also worked to negotiate a renewal with ICRMP on behalf of our program. The feedback we received from them included:

1. They would require unilateral ability to non-renew members of the program with poor loss experience.
2. They would be delivering rate increases for the foreseeable future in order to reestablish their financial reserves.
3. They would not be resolving the coverage concerns we had with their form.

We continued to push for a renewal with ICRMP in spite of the above, but ultimately they made the decision that rather than compete for our business, they would non-renew the program. ICRMP is no longer a viable solution for the Idaho schools program.

Coverage Improvements

One of our primary concerns with the ICRMP program was the coverage form and the potential for significant uninsured loss and out of pocket expenses for our members. We were able to negotiate critical coverage improvement in over twenty different areas for the Lakeland School District. While not exhaustive, here is a summary of the principle areas where we had concerns and the resolution we were able to reach with our new partners:

1. **Property Margin Clause:** ICRMP had a 110% margin clause on the property coverage. This means in the event of a loss the most ICRMP will pay is 110% of the value a building is insured for under the policy.
 1. **Example:** District insures a building for \$10,000,000 and it is destroyed, the most the ICRMP policy will pay is \$11,000,000 for the loss. If the district had underestimated the replacement cost of the building and the reconstruction was more expensive than anticipated,

for example \$13,000,000, then the District would be responsible out of pocket for the \$2,000,000 above the cap.

2. **Resolution:** The new property policy provides full replacement cost coverage for our buildings. There is no cap, no percentage, and no potential for significant uninsured cost to the District. Lakeland School District will receive the full amount it costs to replace a building, even if above your insured value listed on the policy.
3. **Discussion:** Given the tremendous amount of replacement cost increase over the last decade, we feel this coverage enhancement has huge ramifications for school districts. We no longer have the concern of underinsurance and potentially coming out of pocket for millions of dollars after a major property loss. The financial consequences under the ICRMP form could be tremendous for their policy holders. Lakeland School District has the coverage it needs to rebuild its facilities after a loss.

2. **Percentage Deductibles for Water Damage, Hail, and Weight of Snow**

claims: In recent years, ICRMP has added percentage deductibles to several types of losses. A 20% deductible applies to water damage claims to gym floors. A 10% deductible applies to other water system break claims, hail and weight of snow claims.

1. **Example:** If the District were to have a water break that flooded a full size gym floor, the cost to replace that floor would be at least \$500,000 conservatively. Under the ICRMP policy, District would pay 20% of that loss as a deductible- \$100,000.

If the District were to have a different water related loss, a hail damage claim, or a weight of snow loss then you would have to pay 10% of that loss as your deductible. Two years ago, we had a member suffer a \$4.5mm hail loss. Under ICRMP policy this year, they would have been responsible for \$450,000 as their deductible.

2. **Resolution:** The new policy does not have percentage deductibles. The normal \$10,000 deductible would apply to all losses referenced above.
3. **Discussion:** The unexpected additional expense of these deductibles could have been extremely difficult for Idaho School Districts to pay in the event of a loss. The new policy delivers much more cost certainty and stability in areas where our members see significant claim activity. Lakeland School District does not have to worry about what

could be very large deductibles for losses that you have significant exposure to.

3. **Operational Disruption Expense and Extra Expense limits:** Property insurance policies pay not only to repair or replace buildings, but also to pay for your expenses incurred during the period of disruption to keep you operating. This could take many forms- renting portable classrooms, leasing temporary spaces, setting up temporary kitchen facilities, even transporting students to other buildings. This is a significant portion of a loss from a cost perspective.

1. **ICRMP coverage:** Last year, ICRMP reduced the limits around these types of claims in two ways. They cut the Operational Disruption Expense sublimit from \$5,000,000 to \$2,500,000. They also reduced the Extra Expense sublimit from \$2,000,000 to \$250,000. This means that had our members incurred more than \$250,000 of extra expenses after a property loss, those costs would not have been covered by ICRMP and would have come out of pocket for the District.
2. **Resolution:** The new policy provides Lakeland School District with \$50,000,000 for each of the coverages referenced above.
3. **Discussion:** You have peace of mind to know that if a facility is damaged or destroyed and you have to shift to temporary solutions, you will have the coverage to pay for those expenses. Lakeland School District will not be left trying to find general funds to make those payments.

4. **Increased Cost of Construction (Ordinance and Law Coverage):** In Idaho, many school buildings do not meet current code requirements because of their age. They are “grandfathered in” and may not be ADA compliant, have elevators, have fire sprinkler systems, etc. If you have a loss, as part of the repair you will be required to bring that building up to current code standards. This is insured under the Increased Cost of Construction (Ordinance and Law) Coverage.

1. **ICRMP Coverage:** ICRMP reduced the limit of this coverage from \$2,500,000 to \$1,000,000. This can be a very significant cost for buildings that need many code upgrades to meet current standards.
2. **Resolution:** The new policy provides up to \$50,000,000 of this coverage.
3. **Discussion:** Again, Lakeland School District can have peace of mind to know there are sufficient funds to cover your costs in the event of a

property loss. You will not have the potential for uninsured, out of pocket expenses in the event of a loss.

5. Employment Practices Liability Deductible: Many years ago, we developed a coverage enhancement that allowed our members to consult with an attorney prior to making a termination decision and have those costs reimbursed. In recent years, ICRMP added a deductible for lawsuits arising out of employment issues where that consultation did not take place.

- 1. Example:** The District decides to terminate a principal in one of your buildings and does not seek legal advice under the policy prior to that termination. If sued because of that termination, ICRMP would apply a \$25,000 deductible to the lawsuit, resulting in out of pocket expense for the District.
- 2. Resolution:** While we maintain the coverage to pay for the attorney consultation, the new policy does not have a deductible for lawsuits that arise out of terminations where that consultation does not happen.
- 3. Discussion:** We value the proactive tool to allow for Districts to consult and be reimbursed for legal advice prior to making a termination. We are also glad that our members no longer have a punitive \$25,000 deductible if they do not take advantage of that benefit.

6. Cyber liability coverage enhancements: Cyber liability is a rapidly increasing area of concern for Idaho public schools. We are seeing increased attacks and Districts are a real target for cyber criminals. We were concerned that ICRMP's cyber liability coverage was inadequate in areas where we are seeing claims activity. Our new coverage enhances the cyber liability protection for Lakeland School District in about 10 different areas.

- 1. Example:** One area where we are seeing a spike in criminal activity is around Cyber Extortion and Ransomware. ICRMP has capped coverage for these events at \$50,000.
- 2. Resolution:** The new policy provides up to \$500,000 in coverage to resolve these issues.
- 3. Discussion:** Criminals are taking over networks of School Districts across the country and demanding payment to release that data. While we will not pay criminals unless it is absolutely necessary, we now have much more flexibility within the policy to resolve those issues without significant out of pocket expense to the District.

Summary and Future of the Program:

As we look toward the future with our new partners, we are confident they will deliver a product that meets the coverage needs of our members in areas where our prior partner was significantly deficient. We have provided 10 years of loss data to our carrier partners and they have run actuarial studies, evaluated loss experience, and structured our program in a way that will deliver financial stability to our membership.

Our comprehensive marketing of Lakeland School District's insurance program ensures you are partnering with the carriers that are best positioned from a coverage and cost perspective. While the insurance marketplace is in a state of rate increase, we feel confident that our insurance partners are the best the market has to offer for Idaho Schools.

Lakeland School District can rest assured, knowing coverage issues have been resolved and you are receiving the best value for your insurance spend. If disaster strikes, your policy will respond with the needed coverage, protecting you from significant financial harm.