



Oak Park Elementary School District 97

970 Madison • Oak Park • Illinois • 60302 • ph: 708.524.3000 • fax: 708.524.3019 • www.op97.org

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 14, 2011

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 161 school districts as members. Attached is an Executive Summary (see Attachment #1) delineating the renewal of the 2011-12 school year and note that in most instances, while exposures to various components of insurance increased, overall rate reductions have decreased.

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 \$273,873 and the premium for 2011-12 is proposed at \$267,105 or a 2.47% decrease (see Attachment #2).

The CLIC Executive Board, at its meeting on May 24, 2011, also recommended closing out School Board Legal Liability claims for the 2005-06 school year as well as distributing interest earnings for one year. For Oak Park District 97, we are receiving a \$6,494 rebate for 2005-06 school board legal liability claims and another \$4,124 of interest. When this combined total is deducted from our proposed 2011-12 premium of \$267,105, our out-of-pocket cost will be \$256,487 or \$17,386 less than we paid last year.

This renewal will be brought back to the Board for formal approval at its June 24, 2011 meeting.

Attachments (2)

Executive Summary

Property/Casualty

As the CLIC Cooperative begins its 29th 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 began our negotiating efforts for the 2011-2012 renewal term, Japan's devastating earthquakes and tsunami occurred. This disaster will have worldwide repercussions for many years to come. Insurance analysts estimate that the cost of this disaster will exceed \$90 billion. This loss will provide the impetus to have carriers begin the re-rating of the Property/Casualty insurance coverages. A similar impact occurred post 9/11/2001.

Analysts agree that this disaster will be the most costly to the insurance industry since 1970 and will rank very close to Hurricane Katrina.

Fortunately our 2011-2012 marketing efforts and negotiations were well under way when the disaster struck. We did see an excess Property carrier who previously released a quotation before the disaster struck, pulled their quotation, and reissued a quotation with higher rates and restructured coverage limits.

Our membership continues to utilize effective risk management techniques. We are seeing our members are doing an excellent job requiring that third-party vendors give evidence to the District that they have proper coverage and limits. This effective risk management practice has helped the Cooperative avoid costly litigation expenses.

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

- Working with Gallagher Bassett Services, Inc., we did a study and review of legal litigation expenses and how we can possibly reduce those expenses. After much study, the Cooperative, along with Gallagher Bassett Services, Inc., hired The Legal Services Group. This firm, beginning with our July 1, 2011 renewal, will be implementing new claim and legal procedures that each of the CLIC approved legal counsel firms will have to meet. The desired effect will be to reduce legal litigation expenses.



- Through controlled growth two new members joined the Cooperative.
- Conducted a study with CLIC's actuarial firm Milliman & Company on potential alternatives to allocate members' loss fund contributions.
- The CLIC Self-Insured Workers Compensation Program added three quality districts, bringing total membership to 121 districts.

In regards to the CLIC 2011-2012 Package renewal, we conducted a very extensive marketing effort. We approached two carriers and received six viable alternatives to the present program. It is important to note that the Cooperative's property value exposure increased by **4%** and vehicle exposures increased by **2%**. Our recommended carrier has given us a substantial reduction in our required loss fund contribution and also has given us a premium reduction.

In regards to our Excess Property coverage, we approached the alternative carriers and received quotations. In spite of the total insured values increasing by **4%**, we have received a **9% rate reduction**, which equates to over \$147,000 in premium reduction.

Our second Excess Property carrier, the Chubb Insurance Company, in spite of the **4%** increase in total insured values has given us a **6% rate reduction**.

Our Boiler carrier, the Chubb Insurance Company, has again offered a competitive renewal by reducing their rate by **4%** in spite of our rating exposures increasing by **4%**.

The School Board Legal Liability carrier, Illinois National Insurance Co. (Chartis), has offered a competitive renewal with a **12%** reduction in rate and an **5%** rate reduction in the required loss fund.

Our Excess Liability coverage and the renewal terms for the 2011-2012 policy term will remain competitive. It is important for all CLIC member districts to realize that our Excess Liability carrier during the past two years had to pay a large \$8,500,000 settlement for a serious Automobile claim. In addition, the Cooperative currently has four pending General Liability cases where the reserves are set close to \$500,000-\$850,000 on each case.



All of the members of the CLIC Excess Liability programs will have a \$40,000,000 per member limit for Sexual Abuse and a \$36,000,000 per member limit for Employment Practices Liability. **There is no other local program or carrier that can offer those types of limits for these coverages.**

Our primary Excess Liability carrier, the Genesis Insurance Company has given us a **8% rate reduction.**

Our secondary Excess Liability carrier has given us a **flat renewal.** We looked at alternative pricing structures for this program.

The Student Accident Program will see very competitive renewal pricing. We looked at alternative pricing structures for this program. It is evident that this program is well utilized by our membership based upon the number of claims that are filed each year. This is attributed to the state of our economy. More claims are being filed where the Student Accident coverage is the only coverage available. This program helps protect the Cooperative's loss fund dollars.

We continue to realize the financial difficulty that our districts face due to state budget reductions. That is one of the main reasons that our strategic carrier partners have been selected to provide coverage for the CLIC members.

These carriers have been selected not only for their immediate benefit they bring to the Cooperative, but also in the long run they will be available to meet their financial obligations.

As we continue in these trying economic times, it is important to have a broker and program administrator who have the experience and expertise dealing with public schools. We continue to see new "brokers" enter the school marketplace. Unfortunately these brokers or agents are generalists and have very little experience or expertise in dealing with school-related coverages such as Employment Practice Liability issues, Sexual Abuse issues, and vital loss control issues.

As CLIC beings its 29th 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



COLLECTIVE LIABILITY INSURANCE COOPERATIVE
2011-2012 PROPERTY/CASUALTY
PROGRAM COST COMPARISON

District: Oak Park School District #97

Fixed Costs	2010-2011 Expiring	2011-2012 Proposed
Package Premium (includes Property, General Liability, Auto Liability and Physical Damage and Crime)	\$16,469	\$15,717
Excess Property \$1,000,000,000	\$27,994	\$25,760
Excess Property \$100,000,000 xs \$1,000,000,000	\$646	\$621
Boiler & Machinery	\$5,056	\$4,951
School Board Legal Liability	\$8,349	\$7,364
Excess Liability \$34MM xs \$1MM	\$12,315	\$11,880
Student Accident - Mandatory	\$24,329	\$23,184
Student Accident - Catastrophic	\$5,455	\$5,455
School Violent Acts	\$1,042	\$758
Identity Theft	\$4,750	\$4,750
Pollution Liability	\$3,472	\$3,531
Arthur J. Gallagher Risk Management Services Fee	\$9,462	\$9,651
Gallagher Bassett Services Claims Administration Fee	\$4,796	\$4,783
Gallagher Bassett Services Loss Control Fee	\$975	\$1,990
CLIC On-Line Training Platform (gbriskcontrol.com)	N/A	\$200
Total Fixed Costs	\$125,109	\$120,585
% of Change		-3.6%

Variable Costs	2010-2011 Expiring	2011-2012 Proposed
Loss Fund - Package	\$143,057	\$141,065
Loss Fund - School Board Legal Liability	\$5,707	\$5,455
Total Program Contribution on a Maximum Cost Basis	\$273,873	\$267,105

District's Share of Return of \$1,000,000 in Surplus Funds			
Close-out of School Board Legal Claim Year 2005-2006	\$600,000	1.08%	- \$6,494
Allocation of Interest Income- School Board Legal	\$400,000	1.03%	- \$4,124
SUBTOTAL-Allocation of Return Due District			- \$10,618

Net Program Costs Due for July 1, 2011-2012	\$256,487
--	------------------

Statistical Information	2010-2011 Expiring	2011-2012 Proposed	% Change
Total Insurable Values (Including Vehicles)	\$215,341,675	\$220,175,848	2.2%
Students	5,455	5,455	0.0%
Teachers	467	470	0.6%
Vehicles	10	10	0.0%