



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: August 16, 2022

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 2021-2022 annual premium was \$330,246 and the proposed 2022-2023 premium is \$355,085, an increase of 7.5%. Attached to this memo is a cost sheet listing the variable and fixed costs that make up the annual program cost. Please note the historical annual premium cost chart below:

2015-2016	\$256,188
2016-2017	\$232,974
2017-2018	\$211,450
2018-2019	\$203,169
2019-2020	\$217,873
2020-2021	\$258,941
2021-2022	\$330,246
2022-2023	\$355,085

Attached is a memo from Risk Program Administrators, the co-op's administrator, explaining the increase is mainly due to rate increases on property, school board legal liability, excess liability, and cyber liability. Rising inflation, construction 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 2022-2023 individual renewal rates—see attached. The overall 5-year loss ratio increased slightly for D97 compared to the prior year. While the majority of the 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, 2022 CLIC will celebrate its 40th year of service to Illinois Public School Districts. We are truly honored to have the opportunity to be of service to all of you.

The past two years have been a true test of character and patience for all of us. We have lived through a worldwide pandemic. Over 980,000 people in our country have lost their lives to this virus. If you or your family lost a family member caused by the virus during the last year our thoughts, as well as our hearts, go out to all of you. The pandemic has caused us to debate and think about things we haven't had to before; can masks be required in schools? Or should they be optional? Hopefully as the school year comes to a close we can put decisions like this behind us along with the litigation they led to (i.e. DeVore suit).

As discussed at our Mid-Year meeting in December, the state of the insurance marketplace continues to deteriorate for certain lines of coverage. We continue to see significant rate increases on property, school board legal liability, excess liability and cyber liability.

The pace of changes in the property marketplace continues to accelerate. Carriers are saying this continues to be the most dynamic property marketplace since 2001. Loss trends continue to outpace pricing models and as a result we have seen continuous rate increases due to their difficulty in obtaining reinsurance at a reasonable cost.

A few of the reasons why rates continue to rise as result of reinsurance issues are as follows:

- In the Midwest carriers continue to adjust their models to reflect severe convective storm loss costs. This means carriers have to go get and find additional reinsurance to protect themselves. Those costs on average are increasing over 50%.
- Inflation and costs of construction have caused insurers to mandate inflationary increases to ensure undervalued properties are not a concern. Carriers are scrutinizing client's statements of values based on construction costs showing unprecedented increases (2021 ended with costs up on average almost 20%). For CLIC's renewal we were able to get our insuring partners, Travelers to agree to an inflationary increase of 6%.
- When Hurricane Ida made landfall caused significant damages in the Southeast and Northeastern United States.

The casualty marketplace continues to see the effects of social inflation. In the umbrella/excess casualty market carriers are restricting the amount of limit they are willing to put forth. What this means to us is that many times we need to involve substantially more carriers at more premium to

have the same limits as expiring. Carriers continue to add exclusions for schools on sexual abuse, traumatic brain injury (TBI), opioids, cannabis and violent acts.

On the automobile liability, claims frequency has risen due to the dwindling talent pool of drivers. The average driver's age has surpassed 65 years. In addition new technology makes vehicles more expensive to repair.

The renewal terms offered by CLIC's primary liability, crime and stop-loss reinsurer, Great American Insurance Company, was a nominal increase to the premium rate and a modest decrease to the loss fund. Based on market conditions we were very happy to receive these terms.

In regards to the excess property renewal, we continue to maintain a very competitive rate which will be just over 2 cents for the upcoming policy term. Due to increases in reinsurance costs CLIC's excess property reinsuring partner, Travelers, needed a rate increase of just over 5% in addition to the inflation factor of 6% on values previously mentioned. While the percent increase appears somewhat substantial, it is important to remember the competitiveness of the rate CLIC has maintained over the years with standalone Public K-12 School Districts in Illinois on average having property rates of 6 – 10 cents.

As we approach the third year anniversary of the school board legal panel reboot, the results continue to show improvement. During this past fall CLIC embarked upon another legal review with QBE and the Summit Risk Teams. We had over 18 firms apply to be on the school board legal panel. The results of the reboot will be presented later during today's presentation.

Even with the reboot, school board legal liability claims from prior to the reboot 7-1-2014 to 7/1/2018 have continued to mature and settlements have risen.

For the 2022/2023 school board legal liability renewal, we will see a competitive renewal with slight increases in premium and loss fund contributions.

As we have been driving home the past couple years, due to cyber claims frequency and severity, the impact and the uncertainty have left insurers with no choice but to strengthen their underwriting requirements. They have restricted their scope of coverage, limits of liability and have increased their rates. Carriers are less and less willing to cover reinsurance costs and in many cases are pushing for cost sharing with insureds.

As we have said numerous times during the past year, carriers are looking for minimum cyber loss control measures be in place:

- Multi Factor Authentication (MFA)
 - For All Staff Email
 - For Critical Systems
 - For Cloud Deployments

- Weekly Backup of Data & Systems stored in an offsite location (Disconnected from Main Network & Encrypted)

- Endpoint Detection & Response (EDR)
- Annual Phishing Training for Staff & Quarterly Exercises
- Regular Updating of software patches/fixes including Anti-Virus software and Firewalls
- Business Continuity Plan
- Active System Monitoring

Public entities with the above controls and protocols in this marketplace are seeing premium increases in the 40%-60% range. Those without are seeing increases beginning at 150% with some coverages excluded, or in a worst case scenario terms not being offered at all.

CLIC will continue to be able to offer all members Cyber protection with those without the proper protocols seeing sublimits on Ransomware coverages.

A new product that is being incorporated into the CLIC program of coverages for the 2022/2023 policy term is a program that helps members meeting ADA compliance on their websites. The program is administered by AAAtraq. The firm assists your Tech team in addressing ADA compliance updates that are needed as well as making sure website updates moving forward are in compliance. Your executive committee felt this coverage is needed by all districts that they elected to make this a mandatory coverage for all members and it will not cost a member any premium. It will be paid for out of interest earnings for the 2022/2023 policy term and be effective July 1, 2022.

CLIC's boiler and machinery carrier is the Chubb Insurance Company. Chubb has been a long term strategic partner for the cooperative. Last year we negotiated a two year rate guarantee subject to a loss ratio. We are pleased to announce we qualified for that guarantee in 2022 and even better yet, extended the rate guarantee another year (subject to favorable losses).

CLIC's Student Accident coverage is written by Amwins/Zevitz and is going on a year two of a rate guarantee. If you also remember last year, we raised the catastrophic coverage benefit from \$5,000,000 to \$6,000,000 for all CLIC districts.

CLIC's ancillary lines of coverage such as Gallagher Crisis protect, foreign liability, pollution liability and fiduciary liability, all of these lines are seeing competitive renewals terms from a coverage and pricing standpoint.

In spite of the unfavorable marketplace with cyber liability coverage, CLIC's 2022/2023 renewal pricing, coverages, limits and deductibles remain highly competitive. We continue to be approached by local school districts who find CLIC extremely attractive.

As we have seen during these past few years of a hard market CLIC offers distinct security, stability, and protection from the standard marketplace. CLIC continues to be ranked nationally as one of the premier scholastic cooperatives in the risk management community. Many carriers would like to be partners with CLIC.

As we embark from the COVID era and return to some form of normalcy in our lives and workplaces, we want to thank you and your staff for your time and dedication that each of you brought to your districts and staff during the past two years.

Yours Truly,



Michael J. McHugh
Area Senior Executive Vice
President



Byron Given, CLCS
Area Senior Vice President



Tyler Mackenzie
Account Executive – Key Accounts



Collective Liability Insurance Cooperative

July 1, 2022 to July 1, 2023

Property/Casualty/Student Accident Program

INVOICE

School District: Oak Park School District #97

DUE BY: July 31, 2022

Effective Date	Policy #	Company	Description	Annual Premium
July 1, 2022	CLICCR2022; CLICGL2022; CLICAL2022;	CLIC / Great American Insurance Company	Package Policy	\$9,518
July 1, 2022	CLICPR2022	CLIC / Travelers Insurance Company	Property (\$625,000,000 limit)	\$66,818
July 1, 2022	76401709	Chubb Insurance Group	Boiler & Machinery	\$5,841
July 1, 2022	CLICSBL2022	CLIC / QBE Insurance Corporation	School Board Legal Liability	\$18,898
July 1, 2022	CLICXS2022	CLIC Old Republic / CLIC Brit-Markel / CLIC Old Republic-American Hallmark-Upland/ CLIC Everest Re/ CLIC Great American	Excess Liability (\$36,000,000 limit)	\$25,551
July 1, 2022	13379922	Gerber Life Insurance Co.	Student Accident – Mandatory	\$22,478
July 1, 2022	1306000222	Gerber Life Insurance Co.	Student Accident – Catastrophic	\$5,550
July 1, 2022	TBD	Cowbell (\$1M)/Westchester (\$1M)	Cyber Liability – (\$2,000,000 limit)	\$42,194
July 1, 2022	ISPILLSCAWU3002	Ironshore Specialty Ins. Co.	Pollution Liability	\$4,080
July 1, 2022	B1262FC0228322	Lloyd's of London	Gallagher Crisis Protect (GCP)	\$1,735
July 1, 2022	N/A	Arthur J. Gallagher	Risk Management Services Fee	\$16,972
July 1, 2022	N/A	Gallagher Bassett Services	Claims Administration Fee	\$2,956
July 1, 2022	N/A	Gallagher Bassett Services	Loss Control Services	\$995
July 1, 2022	N/A	CLIC	CLIC Program Management Operating Fee	N/A
July 1, 2022	N/A	CLIC	Loss Fund – Package	\$123,214
July 1, 2022	N/A	CLIC	Loss Fund – School Board Legal	\$8,285
TOTAL PROGRAM COSTS DUE				\$355,085

PLEASE MAKE YOUR CHECK PAYABLE TO CLIC AND REMIT IT TO:
ISDLAF PLUS – COLLECTIVE LIABILITY INSURANCE COOP
36496 TREASURY CENTER
CHICAGO, IL 60694-6400

IF YOU WOULD LIKE TO SEND YOUR PAYMENT BY WIRE TRANSFER:
BANK NAME: BMO HARRIS BANK NA
ABA ROUTING #071000288
ACCOUNT TITLE: ILLINOIS SCHOOL DISTRICT LIQUID ASSET FUND PLUS
ACCOUNT #: 2972503
FURTHER CREDIT: COLLECTIVE LIABILITY INSURANCE COOPERATIVE
ACCOUNT 10274-102

In accordance with the CLIC By-Laws, a 6% interest rate will be charged to the School District for any payment received after its due date.

COLLECTIVE LIABILITY INSURANCE COOPERATIVE

2022-2023 PROPERTY/CASUALTY

PROGRAM COST COMPARISON – Revised w/Cyber Pricing

District: Oak Park School District #97

Fixed Costs	2021-2022 Expiring	2022-2023 Proposed
Package (includes General Liability, Auto Liability, Garage Liability, Police Professional/Security Guards, Bullying and Crime)	\$10,131	\$9,518
Property (including Auto Physical Damage) \$625,000,000 Limit	\$60,286	\$66,818
Boiler & Machinery	\$5,683	\$5,841
School Board Legal Liability - \$40,000 Deductible	\$19,832	\$18,898
Excess Liability \$36M xs \$1M Limit	\$25,892	\$25,551
Student Accident – Mandatory	\$25,110	\$22,478
Student Accident – Catastrophic	\$6,200	\$5,550
Pollution Liability	\$3,894	\$4,080
Cyber Liability/Identity Theft - \$2,000,000 Limit; \$100,000 Deductible	\$41,690	\$42,194
Crisis Protect	\$1,735	\$1,735
Arthur J. Gallagher Risk Management Services Fee	\$16,382	\$16,972
Gallagher Bassett Services Claims Administration Fee	\$3,193	\$2,956
Gallagher Bassett Services Loss Control Fee	\$995	\$995
CLIC Program Management Operating Fee ⁽¹⁾	N/A	N/A
Total Fixed Costs	\$221,023	\$223,586
% of Change		1.16%

Variable Costs	2021-2022 Expiring	2022-2023 Proposed
Loss Fund – Package (includes actuarial debit/credit) ⁽²⁾	\$105,229	\$123,214
Actuarial Debit/Credit – Package	20.0%	20.0%
Loss Fund – School Board Legal Liability (includes actuarial debit/credit) ⁽²⁾	\$8,713	\$8,285
Actuarial Debit/Credit – School Board Legal Liability	-10.0%	-13.0%
Total Program Contribution on a Maximum Cost Basis	\$334,965	\$355,085
% of Change		6.01%

Total Program Costs Due for July 1, 2022-2023	\$355,085
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Statistical Information	2021-2022 Expiring	2022-2023 Proposed	% Change
Total Insurable Values (Includes Vehicles)	\$309,157,488	\$325,940,712	5.43%
Students	6,200	5,550	-10.48%
Vehicles	10	10	0.00%

⁽¹⁾ The CLIC Property/Casualty Program Management Operating Fee is allocated to each member by the CLIC treasurer. This fee is solely used to pay for those expenses such as the Treasurer Services, Legal Services, Publication of Safe Schools Newsletter, Appraisal Cost, Audit Expenses, D&O Insurance, Actuarial Expenses and Meeting Expenses that are needed to operate the pools operations. In the past, the cooperative has utilized loss fund interest earnings to pay for those expenses. Due to the lack of interest income to cover the cooperatives expenses, a slight fee must be allocated to each member. The CLIC Executive Committee concurred that beginning with the 2014/2015 renewal a Program Management Operating Fee will be instituted only on the Property/Casualty Program. The fee will be based upon the minimum fee of \$552 per district with a rate per student charge. The maximum amount a member district could pay is \$5,980. For Fiscal Year 2022-2023, the CLIC Executive Committee has elected to continue the suspension of this charge per the treasurer's recommendation due to sufficient interest earnings to cover these costs.

⁽²⁾ 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, 2021

Member: Oak Park School District #97

Policy Term	Total Paid & Reserved Losses within CLIC's Retention	CLIC Loss Fund Collected	Loss Ratio
2016/17	\$32,761	\$84,138	38.9%
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%
Total	\$431,944	\$352,466	122.5%

- 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 12/31/21, was utilized in the calculation of the 2022/2023 Debit/Credit Allocations.
- Individual Property losses have been capped at \$500,000
- Individual Liability losses have been capped at \$200,000

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.

Table with columns: CLM PER, BEGIN DATE, ENDING DATE, CLOSED CLAIMS, OPEN CLAIMS, TOTAL CLAIMS, NET PAYMENTS, REMAINING RESERVE, TOTAL EXPERIENCE, LESS: SPEC. EXCESS LOSS, AGGREGATE LOSSES. Includes a summary row for TOTALS.

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Collective Liability Insurance Cooperative

Individual Member School Board Legal Liability Loss Ratio

As of December 31, 2021

Member: OAK PARK SCHOOL DISTRICT #97

Policy Term	Total Paid & Reserved Losses within CLIC's Retention	CLIC Loss Fund Collected	Loss Ratio
2016/17	\$0	\$11,045	0%
2017/18	\$0	\$10,659	0%
2018/19	\$0	\$11,991	0%
2019/20	\$0	\$9,787	0%
2020/21	\$0	\$7,148	0%
TOTAL	\$0	\$50,630	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 12/31/21 was utilized to calculate the 2022/2023 Debit/Credit Allocations.