

MEMO

DATE: May 29, 2025
TO: Douglas Eccarius
FROM: Maureen A. Jones
SUBJECT: 2025-26 CLIC Property Casualty Insurance Renewal

District #89 is a member of an insurance cooperative made up of 193 school districts in Illinois that serve over 500,000 students and 44,000 teachers. This cooperative called Collective Liability Insurance Cooperative (CLIC) negotiates with a national insurance broker, Arthur J. Gallagher Risk Management Services, to provide insurance protection for property (buildings and contents), mobile equipment, automobile, general liability, boiler/machinery, employee dishonesty, crime, student accident, pollution liability, cyber liability, and school board liability for all member districts.

Claims made by an individual district through CLIC are first subject to a maintenance deductible; after the deductible, the cooperative's self-insured retention (SIR) acts as the next layer of coverage before traditional fully insured products are accessed. This means that the cooperative pays claims that fall within the SIR through an established loss fund which each member contributes to each year. Finally, for very large or extraordinary claims, traditional insurance coverage is held by the cooperative.

The state of the property casualty insurance marketplace continues to be challenging. Loss trends and adequate reserves are a major concern. The casualty marketplace for schools continues to be challenging due to several factors, including: ongoing claims alleging sexual abuse, continued losses in auto claims due to the shortage of qualified bus drivers, and persistent losses in employment and IEP claims under school board legal liability coverage. Casualty carriers are adopting stringent measures implementing limit reductions, rate increases and requiring entities to take on higher deductibles and retention. For the general liability/casualty and excess umbrella coverage, this has been described as a "hard market" with rates increasing, terms eroding and capacity shrinking.

The Midwest continues to be the leader in severe convective storms including hail and tornados affecting every city. These natural disasters have compelled insurers to reevaluate their coverage terms and conditions, often resulting in reduced coverages and limits. Exclusions for cosmetic damages are also becoming much more commonplace. Carriers are closely scrutinizing statements of values submitted and are benchmarking them against in-house tools to estimate replacement cost values. Inflation is increasing legal costs and settlement values.

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On the automobile liability coverage, claim counts have increased due to labor shortages and difficulty in finding 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.

The Cyber line of coverage marketplace is showing signs of stabilization for risks that have engaged mitigation measures like Multi-Factor Authentication (MFA). Schools continue to be exposed to horizontal claims such as the nationwide Power School incident this school year. 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 helped CLIC to secure a 9.2% premium decrease on this line of coverage. We will continue to look to improve mitigation measures as the Cyber risk will only continue to evolve as technology does with advancements like ChatGPT.

The total renewal premium for 2025-26 is \$155,140 compared to \$144,068 last year. The district's total premium increased by 7.7% over the prior year. Package premium saw an increase of 5.28% & the Loss Fund saw an increase of 18.73%. A premium savings of \$867K over expiring was achieved by increasing the Self-Insured Retention from \$400K to \$1M. Aggregate Stop Loss continues to be self-insured by CLIC based on loss history. The total premium is comprised of fixed and variable costs. Overall, fixed costs increased by 7.0% over the prior year from \$125,867 to \$134,696, including cyber liability. Most of the fixed costs for different lines of coverage experienced increases between 3%-5%. However, several lines of coverage experienced very large increases, including Property Damage at 8.99% increase and Excess Liability at 41.62% increase. These costs increased in part due to a 9.0% increase in our insurable values due to the construction projects.

Variable costs include the loss funds necessary to maintain the cooperatives' SIR of \$1M. The cooperative implements an actuarial modification factor to our loss fund premium based on each district's loss experience for the past 5.5 years. Each district's experience in the pool is compared to all others to determine if a specific district has experienced higher or lower than average claims in the pool. For this renewal, the D89 modification factor was determined at 4.8% and applied directly to our loss fund renewal premium, thus increasing our premium. Similarly, the loss fund for the school board legal liability for D89 was decreased by 8.4% when compared to the cooperative as a whole, which decreased our contribution.

CLIC members are responsible for a maintenance deductible of \$2,500 per claim for all real and personal property, loss of income, mobile equipment and automobile physical damage. Losses in excess of this amount, up to the Self-Insurance Retention (SIR) limit of \$1,000,000, per occurrence, are paid from the established Loss Fund of the cooperative. The excess property liability carriers pay any losses in excess of the SIR up to \$4,560,000 per occurrence. Savings are realized if the total losses at the end of the year are less than the Loss Fund. The Protected Self-Insurance Program is designed so that no single loss or catastrophe

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can deplete the Loss Fund. General, automobile and employee benefit liability have no maintenance deductible and the SIR is \$1M per claim for those lines of coverage. Crime losses are also subject to a maintenance deductible of \$2,500 and a \$1,000,000 SIR per occurrence, with the excess carrier covering losses up to an additional \$2,000,000 for employee dishonesty, forgery and money/securities fraud. The CLIC cooperative also carries reinsurance with unlimited aggregate protection in excess of the established Loss Fund of \$13,713,000 (funded through member contributions) through Great American Ins. Co.

The student accident insurance coverage is handled directly through the Gerber Life Insurance Company; Gallagher does not administer those claims. The District carries both mandatory (up to \$25,000 per claim) and catastrophic coverage (up to \$7,000,000 per claim) for all student accidents that occur at a school-sponsored event. Student Accident coverage is in year three of a rate guarantee

The school board legal liability (including Employment Practices Liability and IEP Hearing) coverage includes a \$30,000 maintenance deductible per claim based on the district's past experience. Likewise, the CLIC SBLL loss fund covers the first \$150,000 of each claim. The CLIC cooperative also carries reinsurance with \$2,000,000 aggregate protection in excess of the established Loss Fund of \$2,467,053 (funded through member contributions) through Lexington Insurance Company.

The CLIC cooperative also carries several first dollar policies, including boiler & machinery, pollution liability, cyber liability and crisis protection. This means that the CLIC cooperative does not have a loss fund for these lines of coverage. Each district has a maintenance deductible of generally \$5,000-\$35,000 per occurrence, and then the insurance takes effect as traditional insurance.

All the companies providing coverage are rated A- or better by A.M. Best Company, Inc, who annually publishes comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada.

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