

Barton Community College
Board of Trustees
Board Study Session
June 11, 2024

PROPERTY, CASUALTY, WORKERS COMPENSATION, AND OTHER INSURANCE:

History - The College currently has been insured by a number of independent carriers in recent years starting with EMC, then switching to MHEC, then switching to Chubb/Philadelphia. Reasons for the changes were:

- EMC – long time carrier, canceled our coverage after the Dining Hall fire. They were exiting the Community College market and have canceled most Educational institutions.
- Midwest Higher Education Compact (MHEC) – Consortium of USD's, Colleges & Universities across the country. Due to significant losses, MHEC increased both their rates and deductibles, which made them non-competitive (increased deductibles to more than \$1,000,000 at the time of cancellation).
- Chubb/Philadelphia – Still competitive, but the cost of their coverage and the level of deductibles were not as good as KICS. Limiting their clients to \$150 million in Property coverage.

What is KICS (Kansas Insurance Cooperative for Schools – previously KERMP)?

- KICS is a consortium of KANSAS USD's and Colleges that have formed a consortium to meet common insurance needs.
- Must be a member of KASB.
- Must be approved to participate by the KICS Governing Board.
- Initial membership of 2 years is required. We are in year 4.
- Once approved to participate, cannot be removed from the consortium.
- All members pay the same prorated fixed costs based on the value of their property.
- For the most part, coverages are much better with KICS, and deductibles are lower.
- Possibility for dividend returns in future years.
- Risk is spread out among a potential 100 members (all Kansas).
- The consortium is managed by Gallagher (major insurance/benefit Management Company). Gallagher also manages the consortiums for Nebraska, Oklahoma, and Missouri.

BENEFITS OF KICS

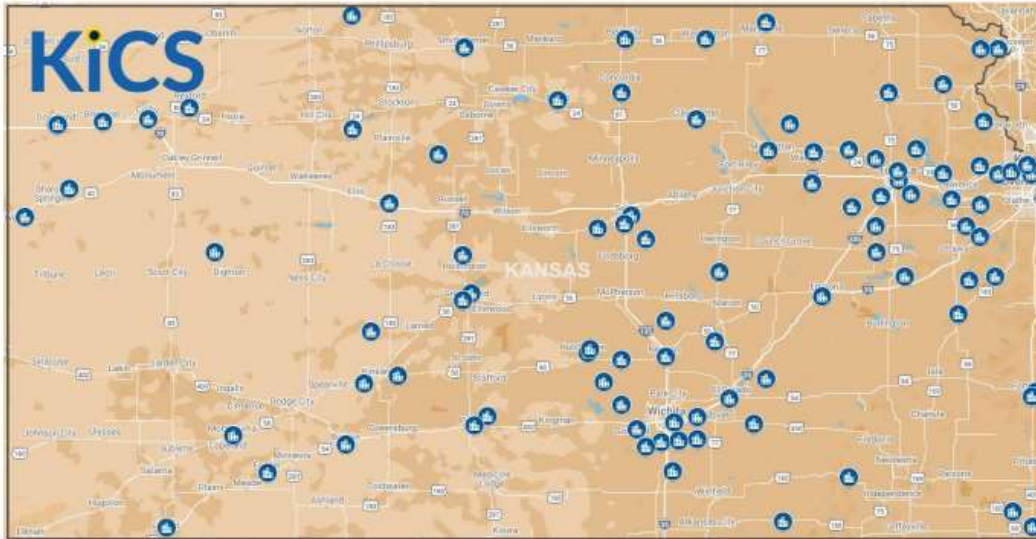
1. **Home** – Your district will not be dropped
2. **Voice** – Each member gets a vote
3. **Competitive Pricing**
4. **Superior Coverage, NO % Wind/Hail Deductibles**
5. **Transparency** – 100% transparent in pricing, membership, financials..etc.
6. **Market Diversification & Stability**
7. **Dedicated Third Party Administrator** – Claims are adjusted by independent party (TPA)
8. **Risk Management Resources** – Onsite & online loss control, Ambridge TEAM, Zywave
9. **Bi Annual Full Membership Meetings** – January & May/June – Budget planning



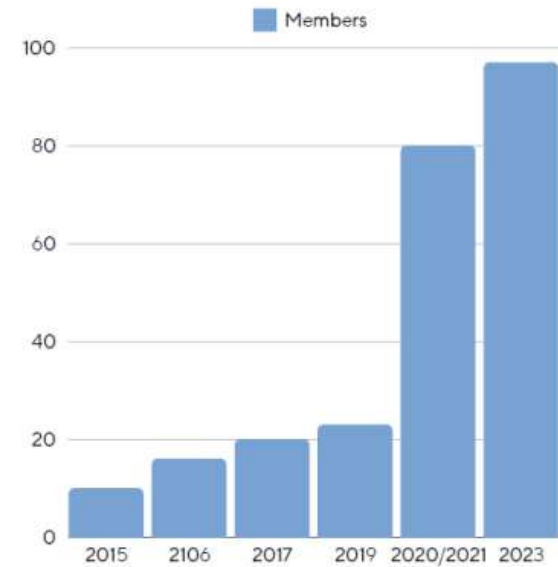
7 New Members who joined since July 2023:

Stanton, Labette County, Oskaloosa, Osawatomie, Clay County, Columbus and Belle Plaine (7)

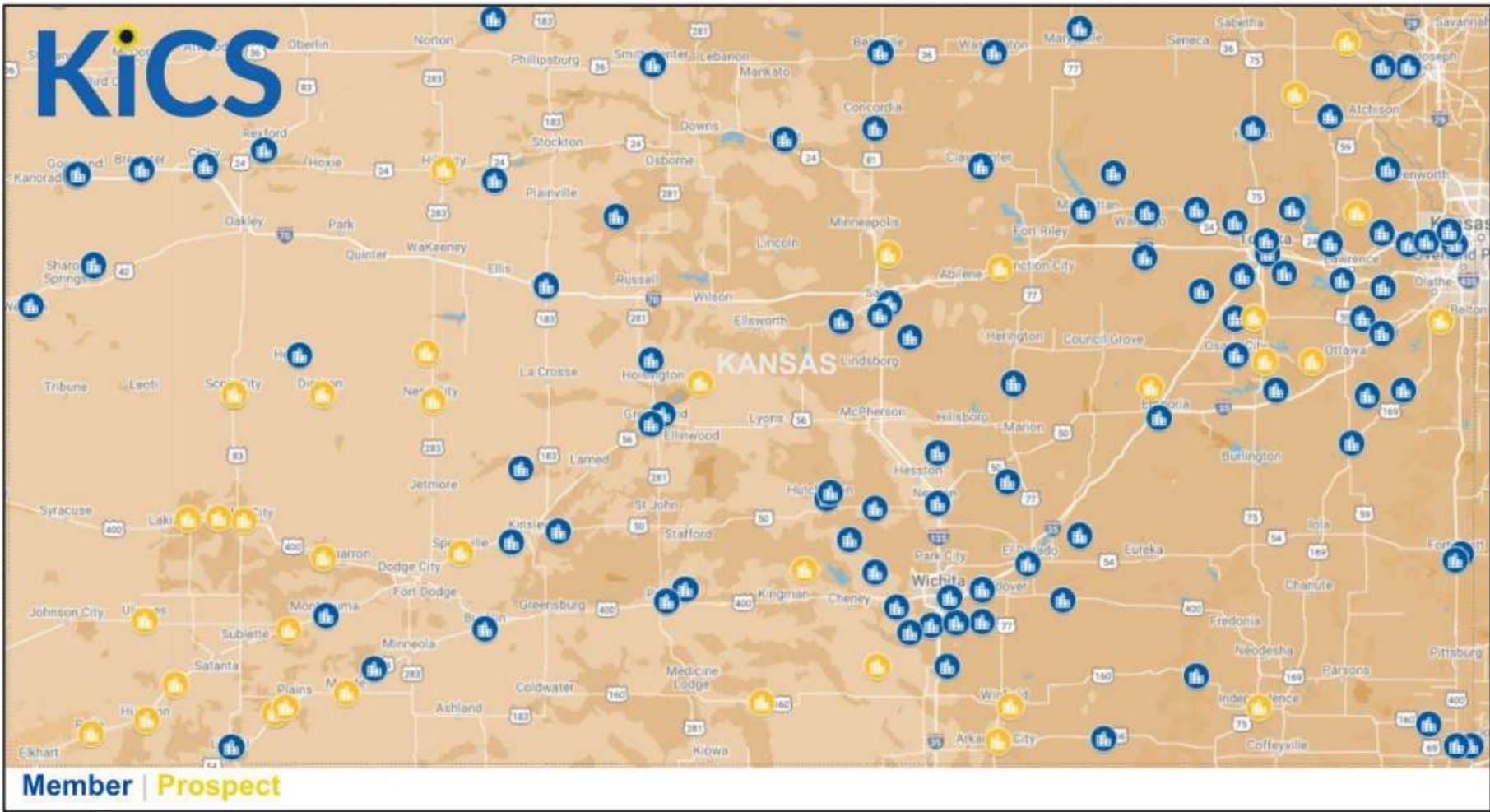
KICS MEMBERSHIP MAP



MEMBERSHIP GROWTH



99 KICS Members



Including 30 KICS Prospective Members



STATE OF MARKET

THE BIG PICTURE

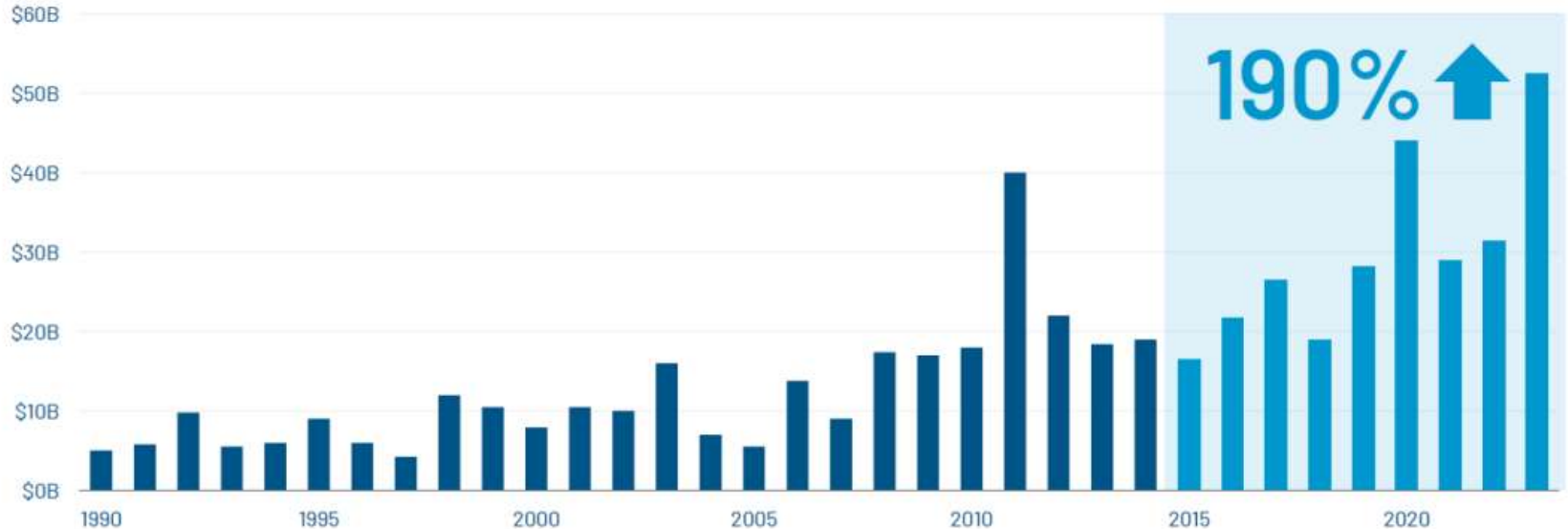
Property Insurance:

- Property is still the driving force behind market challenges and renewal increases
- 1/1/24 Reinsurance treaties were orderly – Rate increases remain, yet less severe than years past
- **Severe convective storms (SCS) - #1 Loss industry leader**
- **New Modeling increasing the average annual loss picture (AAL)**
- Inflation increases have leveled/showed slight decreases but YOY increases in materials is still a factor
- Equipment prices have continued to increase, although less severe than in years past
 - -1.5 - 0% in Q2 2024
- Underwriting on focus on what insureds are doing to prevent and mitigate losses – Winter Weather , Water sensors
- First dollar market for schools continues to experience rate and deductible increases. Limited marketplace for schools, many are seeing large rate increases, restricted coverage, ACV clauses or no coverage at all.
- Reinsurers pushing larger primary wind/hail deductibles (Becoming more common for all insureds)



STATE OF THE MARKET SERVE CONVECTIVE STORM (SCS)

Convective Storms - Annual Insured Loss - 1990 - 2023



Sources: Arthur J. Gallagher & Co. and https://www.jii.org/sites/default/files/docs/pdf/triple-i_state_of_the_risk_convective_storms_10232023.pdf

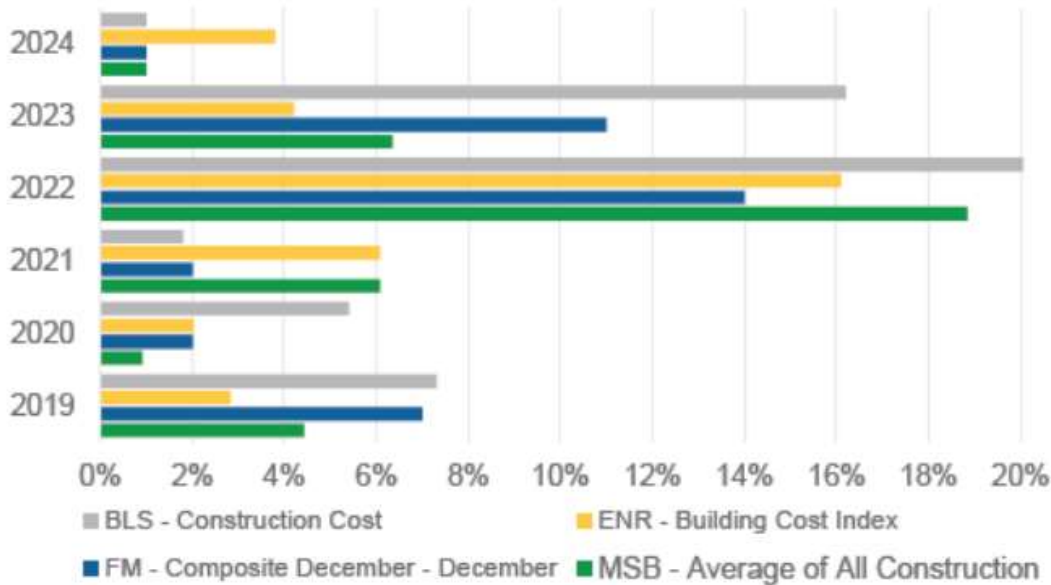
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Riding the Wave: Claims Issues and Challenges | April 2024



STATE OF THE MARKET

Construction Cost Trends April Yearly



2024 Construction Cost Trends



Although inflation increases have moderated, year over year inflation is still a factor as there has been no significant decrease in overall costs



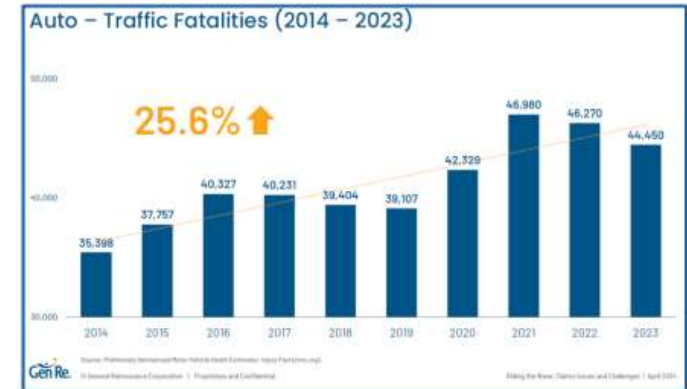
STATE OF THE MARKET

Auto Liability:

- Auto combined ratios are exceeding profitable levels for reinsurers – Claims frequency and severity remain
- **One of the greatest risk for our students, districts and KICS**
- Distracted driving (cellphones, texts/emails, social media, online apps)
- Bus driver quality huge industry issue - “Trickle down effect”
- Update policies and procedures and conduct regular driver training

Liability:

- Sexual Abuse remains the most important exposure – **Preventable**
 - Loss Mitigation starts at the top of the organization
 - Develop a process, create reporting procedure
- Social inflation, nuclear verdicts, and rising jury verdicts are driving increased claim costs for liability
 - Society is agitated post pandemic
- Employment practices matters/discrimination & IEP continue
- The average liability settlements on the rise
- Underwriters are considering tail on liability, such as retro dates (10 years)



PROPERTY APPRAISALS FALL 2024

Benefits of Property Appraisals:

1. Best Practice – resulting from current marketplace conditions (2-3 years)
2. Confidence in values
3. Exposure to catastrophic weather (Kansas)
4. New KICS members are often times, behind on valuations before
5. Creates to improve renewal data for all members (COPE)
6. Leading to long term carrier partnership
7. Improves risk profile, appetite for reinsurers
8. Removing the question mark in underwriting
9. Reduces rates and members renewal stability and coverage consistency

PREMIUM & COVERAGE COMPARISON				
Barton County Community College				
2023-2024			2024-2025	
KERMP			KICS	
Limits		Premium	Limits	Premium
KERMP \$400M Program Limit			KICS \$500M Program Limit	
Property	Main Campus		Main Campus	\$ 561,395.09
Building	\$ 157,946,331		\$ 166,584,722	
BPP	\$ 9,589,507		\$ 10,017,190	
Business Income/Extra Expense	\$ 18,386,442		\$ 18,386,442	
Deductible - All Other Perils	\$ 50,000		\$ 50,000	
Deductible - Water	\$ 100,000		\$ 100,000	
Deductible - Wind/Hail	\$ 250,000		\$ 250,000	
Total TIV	\$ 185,922,277		\$ 194,988,354	Approx 5% increase in Property Values
	KERMP		KICS	
Camp Aldrich	Camp Aldrich		Camp Aldrich	
Building	Included		Included	
BPP	Included		Included	
Deductible All Other Peril	Included		Included	
Wind & Hail Deductible	Included		Included	
Dorms	Dorms		Dorms	
Building	Included		Included	
BPP	Included		Included	
Deductible All Other Peril	Included		Included	
Wind & Hail Deductible	Included		Included	

	PREMIUM & COVERAGE COMPARISON			
	Barton County Community College			
	2023-2024		2024-2025	
	KERMP		KICS	
	Limits	Premium	Limits	Premium
	KERMP \$400M Program Limit		KICS \$500M Program Limit	
	CFC Lloyds Syndicate		CFC Lloyds Syndicate	
Cyber Liability	Cyber Liability		Cyber Liability	\$ 18,170.96
Cyber Incident Response Costs	\$ 2,000,000		\$ 2,000,000	
Legal and Regulatory Costs	\$ 2,000,000		\$ 2,000,000	
IT Security and Forensic Costs	\$ 2,000,000		\$ 2,000,000	
Crisis Communication Costs	\$ 1,000,000		\$ 1,000,000	
Privacy Breach Management Costs	\$ 2,000,000		\$ 2,000,000	
Income Loss and Extra Expense	\$ 2,000,000		\$ 2,000,000	
Regulatory Fines	\$ 2,000,000		\$ 2,000,000	
PCI Fines, Penalties, and Assessments	\$ 2,000,000		\$ 2,000,000	
Cyber Extortion	\$ 2,000,000		\$ 2,000,000	
Social Engineering	Included		\$ 500,000	
Continuity and Prior & Pending Date	Full Prior Acts		Full Prior Acts	
Deductible	\$ 10,000		\$ 10,000	
	KERMP		KICS	
Crime Liability	Crime		Crime	\$ 762.90
Fiduciary Liability	\$ 1,000,000		\$ 1,000,000	
Continuity and Prior & Pending Date	Full Prior Acts		Full Prior Acts	
Deductible	\$ 1,000		\$ 1,000	
Crime Coverage				
Employee Theft	\$ 1,000,000		\$ 1,000,000	
ERISA				
Forgery or Alteration	\$ 1,000,000		\$ 1,000,000	
Theft of Money and Securities-Inside	\$ 1,000,000		\$ 1,000,000	
Theft of Money and Securities-Outside	\$ 1,000,000		\$ 1,000,000	
Computer Fraud	\$ 1,000,000		\$ 1,000,000	
Deductible			\$ 100,000	

PREMIUM & COVERAGE COMPARISON				
Barton County Community College				
	2023-2024		2024-2025	
	KERMP		KICS	
	Limits	Premium	Limits	Premium
	KERMP \$400M Program Limit		KICS \$500M Program Limit	
	KERMP		KICS	
Auto Package	Auto Liability		Auto Liability	\$ 8,272.34
Commercial Auto - Combined Single Limit	\$ 2,000,000		\$ 2,000,000	
Hired Car Physical Damage				
Comprehense and Collision Deductible	\$1,000/\$1,000		\$1,000/\$1,000	
Garage Liability				
Garagekeepers	\$ 100,000		\$ 100,000	
	KERMP		KICS	
General Liability	General Liability		General Liability	\$ 24,843.65
Aggregate	\$ 4,000,000		\$ 4,000,000	
Product & Completed Operation Aggregate	\$ 4,000,000		\$ 4,000,000	
Personal & Advertising Injury	\$ 2,000,000		\$ 2,000,000	
General Liability - Occurrence	\$ 2,000,000		\$ 2,000,000	
Fire Damage Liability	\$ 1,000,000		\$ 1,000,000	
Medical Payments (Excluding Students)	\$ 5,000		\$ 5,000	
Employee Benefits - Occurrence	\$ 2,000,000		\$ 2,000,000	
Employee Benefits - Aggregate	\$ 4,000,000		\$ 4,000,000	
Retro Date	Full Prior Acts		Full Prior Acts	
Deductible	\$ 1,000		\$ 1,000	
Sexual Miscondut Occ/Agg	\$ 4,000,000		\$ 4,000,000	
Sexual Miscondut Occurrence	\$ 2,000,000		\$ 2,000,000	
Law Enforcement Liability	\$ 2,000,000		\$ 2,000,000	
Deductible	\$ 2,500		\$ 2,500	
Educators Legal Liability/EPLI				\$ 4,170.56
Board Liability & Professional Educators Liability	\$ 2,000,000		\$ 2,000,000	
Retro Date	Full Prior Acts		Full Prior Acts	
Deductible	\$ 2,500		\$ 50,000	
Nurses Professional Liability				
Aggregate	Included		Included	
Occurrence	Included		Included	
Crisis Management Expense - Each Event				\$ 6,137.77
Pollution Liability				
Aggregate	\$ 5,000,000		\$ 5,000,000	\$ 4,848.21
Deductible Coverage A, B, C Each Incident	\$ 50,000		\$ 50,000	
Excess	\$3M x \$2M	included	\$3M x \$2M	included
Occurrence	\$ 3,000,000		\$ 3,000,000	
Aggregate	\$ 3,000,000		\$ 3,000,000	

PREMIUM & COVERAGE COMPARISON				
Barton County Community College				
	2023-2024		2024-2025	
	KERMP		KICS	
	Limits	Premium	Limits	Premium
	KERMP \$400M Program Limit		KERMP \$500M Program Limit	
Loss Fund Contribution		\$ 88,258		
Corridor Deductible Contribution		\$ 27,138		
KS State Tax		\$ 2,203		
Total KERMP Package		\$ 618,959		\$ 628,601.48
				1.56% renewal change
Fine Arts	Gallagher / XL Specialty		Gallagher / XL Specialty	
Limit of Insurance - Per Occurrence	\$ 1,000,000	\$ 2,500	\$ 1,000,000	\$ 2,500
Art Reference Library	\$ 1,000,000		\$ 1,000,000	
Transit	\$ 250,000		\$ 250,000	
Valuation	Agreed Value		Agreed Value	
Deductible	\$ 2,500		\$ 2,500	
Total Fine Arts		\$ 2,500		\$ 2,500
	United Heartland		United Heartland	
Workers Compensation (MultiState):		\$ 68,292		\$ 70,581
Employer Liability	\$1Mil / \$1Mil / \$1Mil		\$1Mil / \$1Mil / \$1Mil	
Code 8868	On File		On File	
Deductible - Per Claim	\$ 500		\$ 500	
Stop Gap- WA				
Experience Modification	0.61		0.66	
Total WC		\$ 68,292		\$ 70,581
Total		\$ 687,251		\$ 701,682
				2.1% renewal change

Three brokers are approved providers of the KICS program. Conrade Insurance Group is our current broker, and coordinates the KICS program for approximately 75% of the State of Kansas.

Barton's increase for FY25 amounts to approximately 2.1% increase over the previous year. All independent carriers are increasing Wind/Hail deductibles to a percentage (2-3%) of the property value. For Barton, we have a property & contents value of \$194,988,354. At a 2% Wind/Hail deductible, our deductible would be around \$3.9 million.

There are very few insurance companies that will even bid on Community Colleges. This is due to the concentration of property in one location, the high risk of storm damage in Kansas, and past claims for Kansas Educational institutions.

For comparison, the 24/25 insurance quote includes:

- A 1.56% increase in the total KICS coverage rate.
- A 3.35% increase in United Heartland's Work Comp rate.
- An overall increase of 2.1% in the total insurance package.

Recommendation: Approve the insurance package provided by KICS/Conrade Insurance Group for FY25.