

**PROPERTY, CASUALTY AND WORKERS
COMPENSATION RENEWAL**

Detail: The attached worksheet details current rates for our property, casualty and workers compensation renewal for the year beginning July 1, 2012.

All of our current coverage is with EMC/Cincinnati Insurance (Conrade Insurance Group).

The renewal rates for next year are approximately 15% higher than our current premium. The increases are mainly due to increases in property coverage and increases in workers comp coverage. Property increases reflect an increase in the value of our campus facilities as well as the Kansas industry trends toward damage claims. The increase in workers comp premiums reflect an increase in our mod rate as well as the addition of numerous states to our employee base.

Recommendation: This item will be placed on the June 21 consent agenda for Board consideration.

Barton County Community College - Premium Summary							5/30/2012
Description of Coverage	7/1/2007	7/1/2008	7/1/2009	7/1/2010	7/1/2011	7/1/2012	
Blanket Property Limit	\$71,210,606	\$74,339,459	\$83,698,111	\$85,361,523	\$85,799,657	\$87,216,512	
Property (EMC)	\$78,010.00	\$85,705.00	\$80,749.00	\$82,266.00	\$88,830.00	\$110,214.00	
Business Interruption (EMC)	incl.	incl.	incl.	incl.	incl.	incl.	
Crime (Cincinnati)	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	
Accounts Receivables / Valuable Papers (EMC)	incl.	incl.	incl.	incl.	incl.	incl.	
Electronic Equipment (Computer) Floater (EMC)	\$5,560.00	\$5,474.00	\$4,925.00	\$4,397.00	\$4,730.00	\$5,391.00	
Fine Arts (Cincinnati)	\$7,066.00	\$7,066.00	\$7,066.00	\$7,066.00	\$7,064.00	\$7,064.00	
General Liability / Employee Benefit Liability (EMC)	\$7,208.00	\$6,386.00	\$5,375.00	\$4,397.00	\$5,668.00	\$6,870.00	
Automobile (EMC)	\$25,197.00	\$24,251.00	\$18,158.00	\$21,682.00	\$18,918.00	\$26,247.00	
Boiler & Machinery (Equipment Breakdown) (EMC)	incl.	incl.	incl.	incl.	incl.	incl.	
Umbrella Liability (EMC)	\$11,307.00	\$11,327.00	\$14,524.00	\$13,020.00	\$9,577.00	\$11,649.00	
Prof (Nurses) Liab (renews in August) (AIG moving to C.N.A.)	\$12,043.00	\$11,599.00	\$15,620.00	\$16,791.00	\$8,917.00	\$7,514.00	
Board Liability (Linebacker) (EMC)	\$10,297.00	\$9,827.00	\$9,827.00	\$9,827.00	\$9,426.00	\$10,665.00	
Workers Compensation (EMC)	\$107,146.00	\$114,270.00	\$103,005.84	\$93,952.37	\$104,529.00	\$118,190.00	
Trustee & Fiduciary Liability (Cincinnati)	not covered	not covered	not covered	\$946.00	\$946.00	\$946.00	
Annualized Endorsement (s)			\$3,117.32	\$3,098.78	\$5,939.16		
Audit Additional Premium / Increased Payroll Changes	\$13,648.00	\$23,170.70	\$23,170.70	\$18,377.00	to be det.		
Total	\$280,763.00	\$302,356.70	\$288,818.86	\$279,101.15	\$267,825.16	\$308,031.00	

Barton County Community College

Renewal Term 07/01/2012 to 07/01/2013

Summary of Premium Changes:

The past few years have been challenging for insurance carriers. Both locally and internationally underwriters have been burdened with some of the most costly disasters in history.

In 2011 Kansas encountered the worst storm year in the state's history. Total storm related damages were almost double 2009 which had been the most costly year. Storm active for 2012 is currently running ahead of 2011.

International results impact us locally. Any insurance carrier that is willing to insure over \$90,000,000 in property values at a single site will be buying significant amounts of reinsurance. Reinsurance carriers' work on a global basis and their rates are impacted by insurance related events throughout the world. The 2011 year produced global losses of \$380,000,000,000. The previous year's record was 2005 at \$220,000,000,000. We all remember the Fukushima earthquake (9.0) and tsunami, New Zealand earthquake, Thailand flooding and record USA thunderstorms (Joplin, Tuscaloosa, etc.).

Insurance carriers have the ability to earn income from two sources. This occurs either through underwriting profits (taking in more premium than what is paid out in claims) or investment income (earnings achieved on policyholder surplus and claim's reserves). Insurance companies are restricted in their investments and most of their assets are in highly rated bonds. The return on these bonds has dropped significantly in recent years. As a result this revenue stream has been significantly reduced.

The combination of record claims and reduced investment income has placed significant pressure on the carriers to increase premiums. This has been somewhat offset by other lines of coverage that have been performing better in recent years. For instance automobile insurance has been doing better. With an aging population we have fewer young drivers. Automobiles are equipped with more safety devices. The struggling national economy has resulted in fewer miles being driven. Some of the other casualty lines have also improved. However, the record losses in property and workers compensation have far outpaced the reductions in these other lines.

In the case of Employers Mutual Companies (EMC), they have not had good results insuring Kansas schools. In the last ten years EMC has only had an underwriting profit in two of those years. EMC recently took a number of underwriting positions to either increase pricing or nonrenew certain accounts. Their minimum premium increase is 15%, but depending on a schools performance the increase could be significantly more.

Other carriers writing schools in Kansas have taken equal or even more drastic measures in writing these lines. Our agency represents the following carriers that also write schools:

- Travelers Insurance Co.
- Cincinnati Insurance Co.
- Berkshire Hathaway
- Continental Western
- Trident (Argonaut) Insurance Co.
- WRM America (KASB Endorsed Carrier)

- Philadelphia Insurance Co.
- Chubb Insurance Co.

Many of these other carriers have gone to percentage wind / hail deductibles or totally discontinued writing Kansas property risks. All of these carriers want increased premiums for the exposures involved.

Workers Compensation coverage is another line of insurance that has hit troubled times. The national combined loss ratio for 2011 was 118.5%. That means that for every \$1 in premium received \$1.18 was paid in claims and claims costs. There are multiple factors causing this, but rising medical costs and an aging workforce are prime contributors.

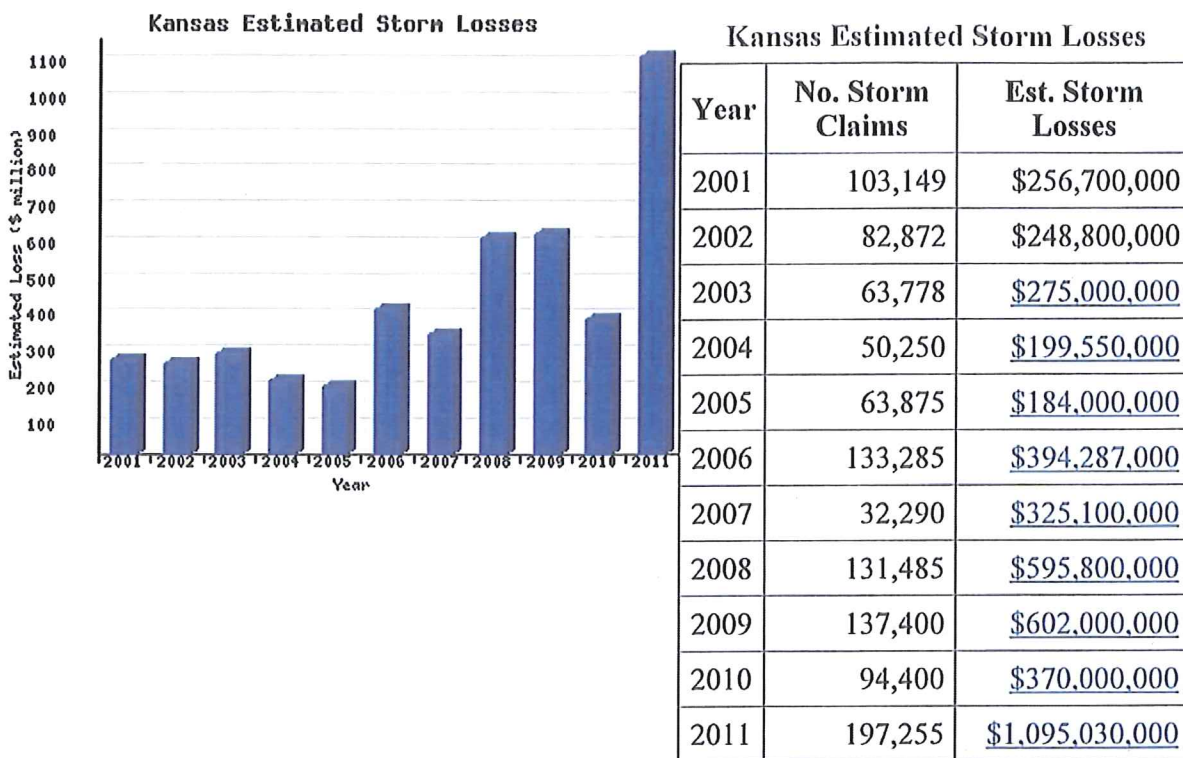
In summary, Barton County Community College's renewal premiums are up about 16% for 2012. A significant part of that percentage is coming from the increased Workers Compensation Experience Modification factor going from .94 to 1.04. The Experience Modification factor is developed by the National Council on Compensation Insurance (NCCI) for all businesses across the country and is totally independent of the company providing the workers compensation insurance. It is a factor that reflects the individual workers compensation history of Barton County Community College. Although the current year percentage may seem high, a five year look back of premiums reflects only a 2% increase in insurance costs from 2008 to 2012. That is even without taking into account the increases in coverage for greater property values, a larger auto fleet and inclusions of new lines of coverage.

Darrell Conrade
Conrade Insurance Group, Inc.
05/30/2012



Kansas Insurance Commissioner
Sandy Praeger

Kansas Estimated Storm Losses



Estimated storm loss data consist of windstorm, tornado, and hail damage or other weather-related claim losses for insured real and personal property in Kansas reported for each calendar year and monthly during the calendar year. Estimated flood losses and other insured perils are **not** included in the data. The data include only **estimated** storm losses reported at the request of the Insurance Commissioner by the private insurance companies selling and servicing property insurance coverage in Kansas.

There is no Kansas state law requiring the collection of the storm loss data. This reporting of **estimated** insured storm losses is a service provided by the Insurance Commissioner to the insuring public and news media.

Estimated storm loss data are collected from insurance companies by the Commissioner, usually on a monthly basis and through special calls to report particularly significant tornado damage in cities, counties, or other affected areas. Data are reported to the public through news releases and on this website.

CDS Business Mapping Hail Model 2011

