

Barton Community College
Board of Trustees
Study Session

June 11, 2019



PROPERTY, CASUALTY, WORKERS COMPENSATION, AND OTHER INSURANCE

The college currently is insured by Midwest Higher Education Compact (MHEC). Most of the other Kansas Community Colleges have also joined this program which enables us all to share in the benefit of being in a large pool with the other colleges throughout the nation. Deductible remains at \$25,000 for property, however MHEC has changed the wind/hail deductible to \$300,000 which is a significant increase.

➤ Barton joined MHEC (Midwestern Higher Education Compact) in 2014. Barton's 2013 premium with EMC was \$374,000. That was based upon total property values of \$90,832,832. Today the overall premium is \$347,534.50 with total property values of \$123,540,355.

➤ If the 2013 premiums were adjusted for the property value increases (+36%) and a consumer price inflation index increase (8.2%) the property premium for 2019 would work out to \$177,922.

- Consumer price inflation adjustments are:

2014 – 1.6%

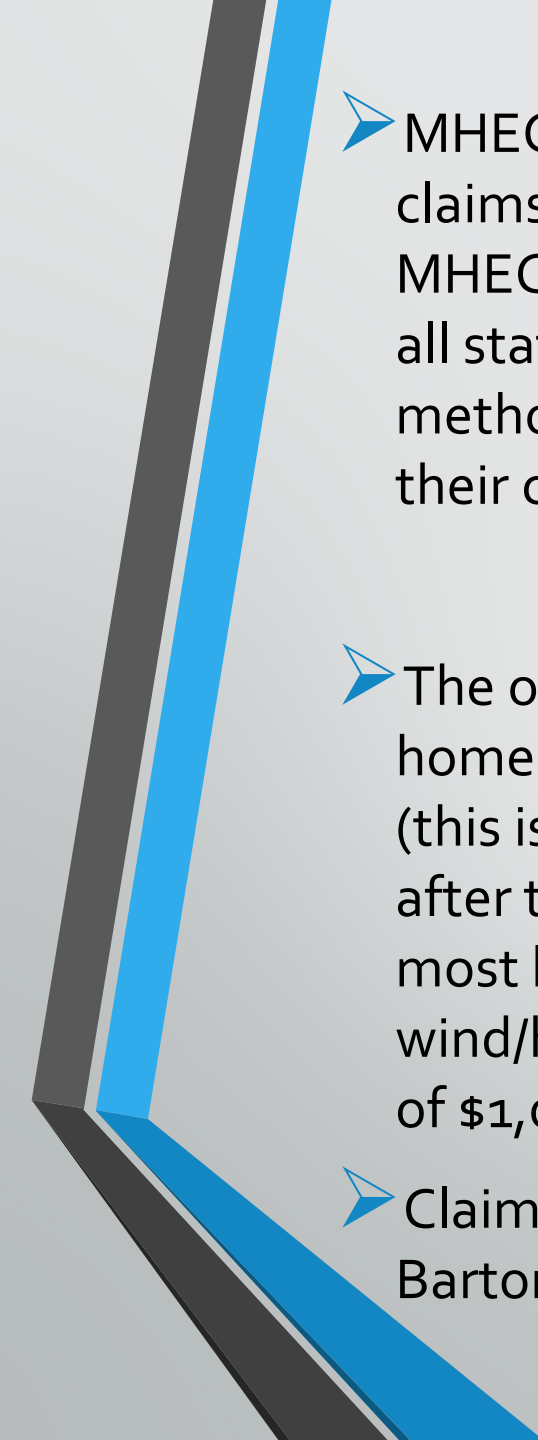
2015 - .01%

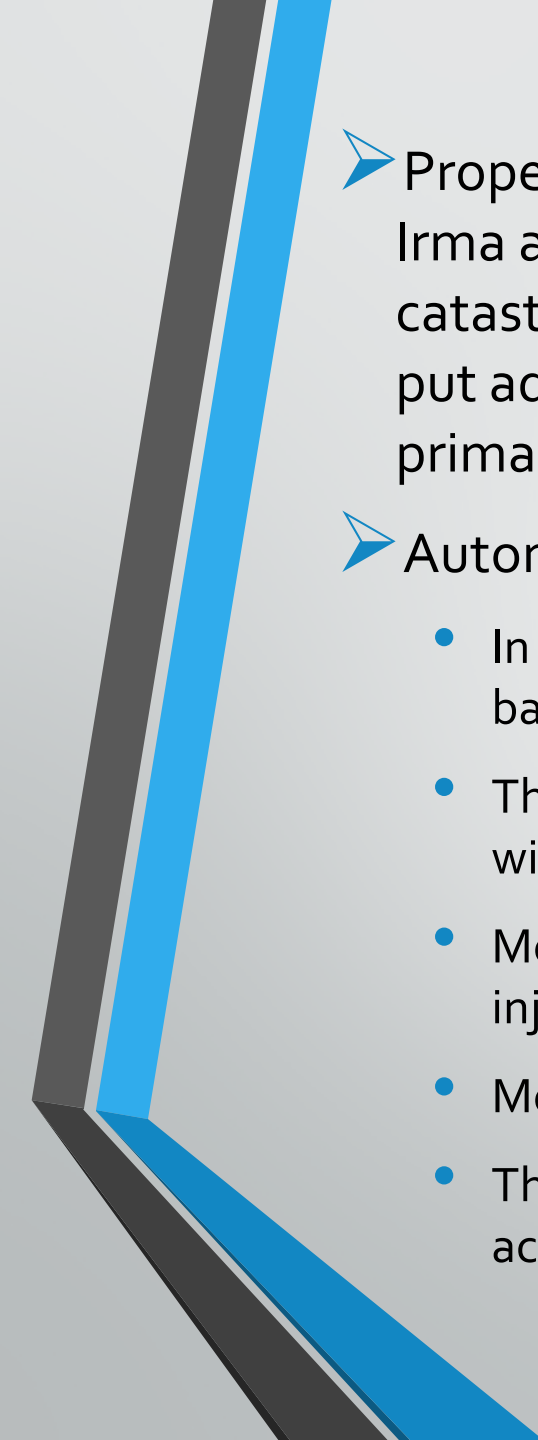
2016 – 1.3%

2017 – 2.1%

2018 – 2.2%

Total – 8.2%

- 
- MHEC provides protection in 17 states. In the past five years MHEC has paid out total claims of \$128,677,942. Of that total, \$67,811,905 has been paid to Kansas colleges. MHEC had been using certain common rate factors across all the states (same rate for all states). Kansas colleges have significantly benefited from this pricing methodology. Oklahoma colleges have not been allowed to join the program due to their claims history.
 - The overall rate per \$1,000 of property insurance is \$1.02. In comparison the average homeowner's policy in Kansas would have a rate per \$1,000 of insurance of about \$9 (this is based on a \$250,000 homeowners policy costing \$2,250). The MHEC rate even after this increase is excellent compared to other property insurance programs. Also, most homeowners' policies in Kansas have a 1% wind/hail deductible. If that same wind/hail deductible approach was used for Barton the deductible would be in excess of \$1,000,000.
 - Claims paid by the MHEC on behalf of Barton total \$993,263 versus premiums paid by Barton to MHEC of \$318,550.



➤ Property reinsurance costs have risen sharply in the past year. Hurricanes Harvey, Irma and Maria and the California wildfires have added about \$120,000,000,000 of catastrophe damage claims. Storm claims throughout the Midwest have continued to put additional pressure on the insurance industry. Those costs are passed down to the primary property carriers who in turn pass the costs on to individual policyholders.

➤ Automobile Insurance

- In Kansas our most problematic line of coverage is property insurance. However, on a national basis commercial automobile has been a more troubled line of insurance.
- The economic recovery has put more commercial vehicles on the road, and many are operated with less experienced drivers.
- More of the bodily injury claims are being litigated with the increased involvement of personal injury attorneys.
- More sophisticated technology in vehicles is driving up the repair costs.
- The above points are contributing factors, but the most impactful cause of increased claims activity is distracted driving. Drivers continue to be distracted by cell phone usage.

➤ Board & Educators Professional Liability

- This coverage falls into a line of insurance referred to as management liability or executive risk. This includes insurance areas such as director's & officer's liability, public official's liability, employment practices liability, trustee and fiduciary liability, etc. In the school environment, the claims most likely made involve employment related issues. Claims for wrongful termination, discrimination and sexual harassment continue to increase. The national movement known as "MeToo" has increased awareness of sexual harassment in the workplace. A significant cost involving these claims are the defense and litigation expenses. Carriers are often torn between settling these claims versus the high cost of litigating them to a successful conclusion.

➤ Workers Compensation

- You will note that the cost is down about 7%. Claim activity has dropped, but not relative to the amount the rates have dropped. **A word of caution – Like the property rates, these Work Comp rates are not sustainable.** We will see increases in the future mirroring the property increases.

Barton County Community College - Premium Summary

Description of Coverage	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	7/1/2019
Blanket Property Limit	\$85,361,523	\$85,799,657	\$87,216,512	\$90,832,832	\$91,799,832	\$100,630,764	\$105,866,222	\$113,226,231	\$120,404,778	\$123,540,355
Property <i>(Zurich)</i> *	\$82,266.00	\$88,830.00	\$110,214.00	\$126,906.00	\$86,774.00	\$59,665.00	\$54,041.28	\$49,350.81	\$61,087.67	\$85,613.00
Surplus Lines Tax							\$3,242.48	\$1,994.43	\$2,394.83	\$3,596.00
Business Interruption <i>(Zurich)</i>	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.
Property Deductible Buy Back <i>(Lloyds)</i> From \$300,000 to \$25,000 (wind/hail peril) Suplus Lines Tax & Fee										\$37,125.00 \$2,757.50
Crime <i>(Cincinnati)</i>	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	\$3,281.00	\$3,362.00	\$3,362.00	\$3,362.00	\$3,362.00
EDP Equip (Computer) Floater <i>(Zurich)</i>	\$4,397.00	\$4,730.00	\$5,391.00	\$7,569.00	incl.	incl.	incl.	incl.	incl.	incl.
Fine Arts <i>(Zurich)</i>	\$7,066.00	\$7,064.00	\$7,064.00	\$7,014.00	\$3,025.00	\$3,025.00	incl.	incl.	incl.	incl.
General Liability <i>(Wright)</i>	\$4,397.00	\$5,668.00	\$6,870.00	\$10,427.00	\$14,989.00	\$15,426.00	\$18,500.00	\$19,485.00	\$25,910.00	\$28,320.00
Automobile <i>(Wright)</i>	\$21,682.00	\$18,918.00	\$25,012.00	\$28,640.00	\$38,869.00	\$37,830.00	\$41,795.00	\$45,768.00	\$49,040.00	\$53,699.00
B&M (Equip Break) <i>(Hartford Steam)</i>	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.	incl.
Excess Liability <i>(Wright)</i>	\$13,020.00	\$9,577.00	\$11,649.00	\$18,025.00	\$10,410.00	\$10,444.00	\$10,887.00	\$11,565.00	\$12,335.00	\$13,267.00
Prof (Nurses) Liab <i>(Wright)</i>	\$16,791.00	\$8,917.00	\$7,514.00	\$7,057.00	\$7,100.00	\$2,002.00	included	included	included	included
Board & Educators Professional Liab <i>(Wright)</i>	\$9,827.00	\$9,426.00	\$10,665.00	\$13,082.00	\$7,531.00	\$8,202.00	\$8,395.00	\$8,963.00	\$12,879.00	\$19,988.00
Work Comp <i>(United Heartland)</i>	\$93,952.37	\$104,529.00 (Exp Mod .94)	\$118,190.00 (Exp Mod 1.04)	\$128,333.00 (Exp Mod .90)	\$137,017.00 (Exp Mod .85)	\$134,047.00 (Exp Mod .92)	\$113,095.00 (Exp Mod .83)	\$94,822.00 (Exp Mod .73)	\$86,503.00 (Exp Mod .76)	\$80,886.00 (Exp Mod .81)
Trustee & Fid. Liability <i>(Cincinnati)</i>	\$946.00	\$946.00	\$946.00	\$1,100.00	\$1,100.00	\$1,100.00	\$1,107.00	\$1,107.00	\$1,107.00	\$1,259.00
Cyber Liability <i>(Travelers)</i>	not covered	not covered	not covered	\$7,669.00	\$9,977.00	\$10,380.00	\$11,712.00	\$11,693.00	\$12,038.00	\$12,412.00
Audit Premiums	\$18,377.00	\$5,976.00	\$5,462.00	\$15,290.00	\$0.00	\$4,274.00	-\$1,457.00	-\$3,068.00		
Property Program Fee					\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,250.00	\$5,250.00
Total	\$276,002.37	\$267,862.00	\$312,258.00	\$374,393.00	\$325,073.00	\$294,676.00	\$269,679.76	\$250,042.24	\$271,906.50	\$347,534.50



PROPERTY, CASUALTY, WORKERS COMPENSATION, AND OTHER INSURANCE

Conrade Insurance Group is our current broker, and coordinates all of the different insurance companies under the MHEC umbrella (Lexington, Wright, Cincinnati, Hartford, Travelers, etc.).