

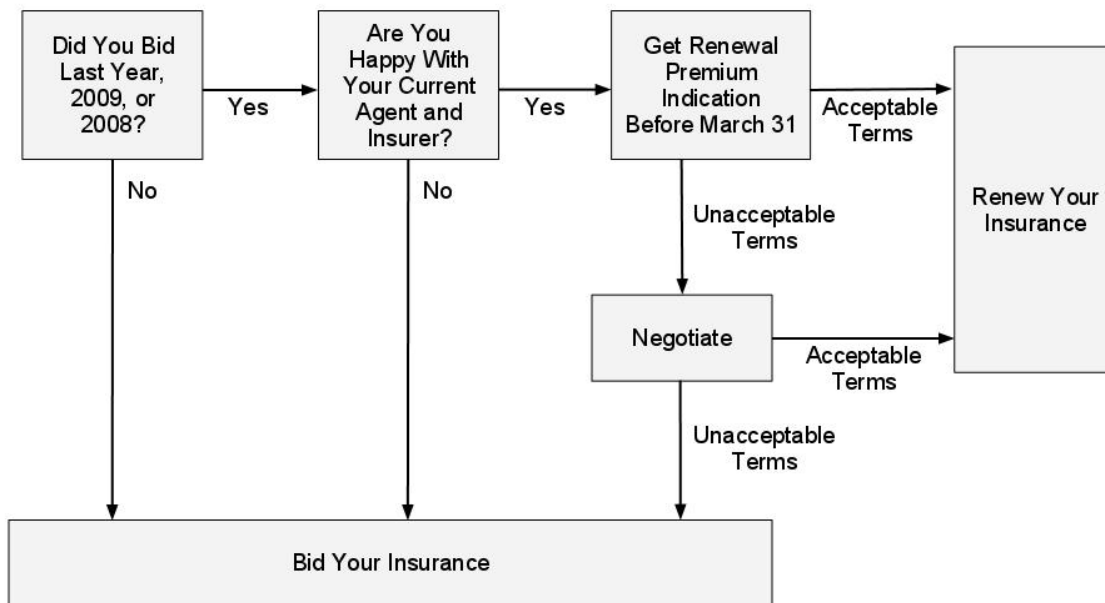
## Unbiased Insurance Advice For Maine Schools

2011 Edition

### To Bid or Not To Bid, Your Insurance

Making the right choice on bidding your insurance this coming July largely depends on what you did last year.

The flowchart below walks you through the decision making process.



If you bid your insurance last July, in 2009, or in 2008, you probably don't need to bid for your July 2011 renewal unless you're unhappy with some aspect of the current program.

If you are not going to bid, protect your district by getting your renewal premium indications early. Tell your agent you want to know the terms of your renewal by the end of March. In that way, if the offer by your current insurer is unacceptable you'll have time to put together a hasty bid process.

If it's been more than three years since you bid your insurance, I strongly suggest you plan on testing the market this coming year. See my comments below on the bid process.

## How to Successfully Bid Your School's Insurance Program

### Start Early

Assuming your insurance expires in July, the best time to start the bid process is right now. Here's some suggested target dates for an orderly bid process:

Notify MSMA - If you are currently insured by MSMA you must put them on notice of your intent to bid before January 1.	Immediately
Bid Packet Assembly - Start putting together the information that will be needed for the bid process.	ASAP
Select Prospective Agents – Select agents for the agent selection process. Follow Maine law, include any agent who has solicited your business. Also include agents who specialize in school business or with whom you have a relationship.	January 14
Send Out Agent Questionnaire – The selected agents complete a questionnaire that provides insight into their experience and expertise.	January 20
Questionnaire Due From Agents	February 4
Interviews - If necessary, interview the top two or three agents	February 7 to February 15
Selection - Select the agents that will compete with MSMA	By March 1
Bid Packet - Send bid specifications to participating agents and MSMA	By March 15
Bids Due From Participants	May 20
Agent Selection - Select the successful program and notify all participants.	By June 15
New Insurance Program Start Date - Agent will issue binders and order policies.	July 1

I suggest a bid process that involves at least two competitors: Maine School Management Association and an insurance agent representing multiple, appropriate insurers. The chart above anticipates a process of selecting a broad pool of agents then narrowing that pool down to the best agent for your schools. The agent you ultimately select should have access to the broad marketplace. He or she will approach multiple insurers to compete with the MSMA property and casualty insurance program. Many schools want to have MSMA and multiple agents involved. That can work as long as you assign the insurance companies to the participating agents.

## **Select the Right Agents**

Finding the right participants is the key to the competitive process. Again, a bid process with a single, well qualified agent, competing with MSMA is, in my opinion, the best approach. You will need to select your participants with care.

Remember that Maine law requires that any agent that has solicited your business must be included in the bid process. Use the agent selection process to consider all agents in your selection of the appropriate players.

## **Use the MSMA Bid Process Templates**

I strongly recommend that you use the free insurance bid templates available from MSMA. The forms walk you through the bid process with minimal administrative efforts. Their process is well thought out.

## **Build Your Insurance Expertise**

Having insurance expertise will help you as you come to the toughest part of the insurance process, selecting the right program from the bids. Again, the MSMA templates can help you line up coverage offered by all the bidders. However, you'll still need to interpret the results. I have put together a glossary of insurance terms for schools that may help you understand some of the coverages and issues raised in the bid proposals.

Go to my school insurance resource site – [www.Schoolinsurancehelp.com](http://www.Schoolinsurancehelp.com). You will also find white papers there on a variety of subjects.

## **Lessons Learned From Last Year's Bids**

The 2010 Maine school bid season seemed to be a year of regrouping. School districts were exceptionally conservative, often forgoing premium savings in order to minimize the risk of out-of-pocket losses.

The vast majority of schools that bid last year stayed with their 2009 insurer. The primary markets for schools continued to be MSMA, Peerless, Hanover, Trident / Massamont, Travelers, and Hartford.

## **Predictions & Recommendations for 2011**

The overall insurance market continues to be exceptionally competitive. I expect that MSMA, Peerless, and Trident/Massamont will continue their aggressive strategies. I hope Hanover has learned some things from last year's competition.

Schools that bid this year should look at a variety of deductible options, including flood and earthquake deductibles. Schools should insist on an agreement as to the second and third year premiums. Get either a rate lock or some set of pricing guidelines for the subsequent renewals.

## **What If You're Not Bidding This Year?**

Schools who are not planning to bid their insurance this year can still take some actions to assure a successful renewal. Talk with MSMA or your agent early. Insurers should be able to provide a premium indication (perhaps not a quote, but at least an idea of what is going to happen to your rate) by March 31.

Get a firm indication as to expected rate and premium change. With that info confirm your decision not to bid. As of this writing I expect that rates will stay flat for schools that bid last year or the year before. Your loss experience will affect your renewal. Many schools saw rates last year below what they paid in 2008 and 2007. Frankly, bidding your insurance assures you of getting the best rates and coverage that the marketplace has to offer.

## **Green Coverage**

Property insurance pays the replacement cost of the building destroyed by an insured event. Standard coverage does not pay for upgrades required by building codes. "Increased cost of construction" (ICC) coverage pays for such items as improved sprinklers, Americans With Disabilities Act compliance, etc. Even with ICC, there is no coverage for improvements you'd like to make, such as building to "Green" or LEED (Leadership in Energy and Environmental Design) standards.

The current political climate almost insists on the use of green standards in rebuilding a public building. Ask your insurer to add protection for the increased cost of construction for LEED standards.

## **MSMA Bid Notice Required**

Schools insured with MSMA are reminded that they must put MSMA on notice of their intent to bid before January 1, 2011. An email to the MSMA office with confirmation of receipt should be sufficient. I suggest all districts insured by MSMA issue proper notice even if there is currently no intention to bid. Notice can always be withdrawn once premium indications are provided by MSMA.

Any school district with workers' compensation in the MSMA Workers' Compensation Trust Fund must have put the trust on notice of their intent to bid prior to June 30, 2010. Without this notice you will not be able to leave the trust this July according to the by-laws of the trust. I suggest you put the trust on notice early in 2011 for the July 2012 renewal.

## Free Insurance Information Sessions

I will be conducting five live teleconferences for school business managers and superintendents. Each session will cover insurance issues schools face. Time will then be made available for any insurance question you have. Ask about a coverage issue. Ask about the bid process. Ask about any insurance topic that you are concerned with. These are free with no obligation - clients and future clients (wink) are welcome. Session emphasis will be on caller questions. Call to get answers to your issues.

All sessions will start at Noon and will run for about an hour.

January 7

February 4

March 4

April 1

May 6

Register by sending an email to [Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com). Contact info will be sent out a few days before the session.

## Maine ASBO Sponsorship

I'll be sponsoring the Maine Association of School Business Officers meeting on January 21st in Augusta. I'll make a quick presentation covering my thoughts on the current insurance marketplace and would be glad to field some questions on any insurance topic. Please join me at the session. Bring your toughest insurance issues. Feel free to corner me at a break or after the meeting too.

## Where To Turn For Unbiased Help

The advice above is geared for the do-it-yourselfer; the school district that wants to manage the insurance process internally. Obviously, some school districts want outside assistance. That's where I come in.

I have worked with many schools and school districts over the years. My packages of service can help any district move through the bid process in a smooth and effective way. My process will bring the best result – coverage, premium, and insurer service.

I'm glad to discuss your specific insurance issues and concerns. Please call 207-284-0085 or email me at [Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com).

Scott Simmonds, CPCU, ARM, CMC is a fee-only insurance consultant. His practice includes a specialty in school insurance. Scott never sells insurance and does not accept fees or commissions from the insurance companies or agencies he works with. He is unbiased. His work for schools includes coverage reviews, bid projects, and claims assistance.

Scott can be reached at 207-284-0085 or [Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com). His web site is [www.ScottSimmonds.com](http://www.ScottSimmonds.com). Also see [www.SchoolInsuranceHelp.com](http://www.SchoolInsuranceHelp.com).