



Storm Protection Fund

SPF25



EMC's 1% deductible

- ✓ Applies only to damage caused by wind and/or hail
- ✓ In general, applies to buildings > \$500,000
- ✓ Check the SOV included within your policy to confirm
- ✓ Applies separately to each type of property damaged:
 - Building – 1% of RC
 - Contents – 1% of RC
 - Property in the Open – 1% of RC

**How bad could
it be?**



Claim Example:

Damage to Middle School & Elementary

- Middle School
 - Building $\$50,000,000 * 1\% = \$500,000$ deductible
 - Contents $\$5,000,000 * 1\% = \$50,000$ deductible
 - Property in Open $\$1,000,000 * 1\% = \$10,000$ deductible
- Elementary School
 - Building $\$30,000,000 * 1\% = \$300,000$ deductible
 - Contents $\$3,000,000 * 1\% = \$30,000$ deductible
- Total 1% deductible would be \$890,000
- Can be big hit to management fund
- Very difficult to budget

How are Districts Managing this Exposure?

Current options:

- Purchase wind/hail deductible buy down insurance
- Build/rely on individual management fund balances
- Cross fingers and hope for the best

**Goal: Offer K-12
districts and AEAs an
alternative method to
fund for 1% deductible**



A Pooled Loss Fund Approach

How will it work?

- Formed 28e to function as a local governmental risk pool
- All K-12 districts and AEAs are eligible to participate
- Participating members contribute to loss fund based on property values at risk to the percentage deductible
- In the event of storm damage, the loss fund would respond to cover participating member's percentage deductible less the district's retention

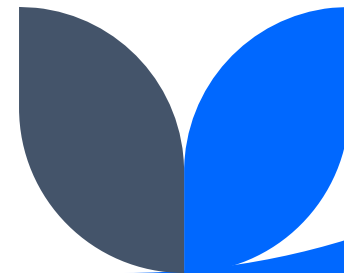


How does the SPF25 compare to a deductible buy down policy?

- Broader coverage (includes contents & property in open)
- Lower district level retention (\$10K to \$100K per occurrence)
- Less expensive (average savings of 30%)
- Contribution levels should stay steady or drop each year (instead of annual rate increases)
- Self-fund as a group (rather than sending money to London)

SPF Advantages:

- Efficient use of taxpayer dollars
- No carrier overhead/profit
- Not “use it or lose it” like a deductible buydown policy
- Loss fund can build over time, earn interest
- Participants maintain control over 28e and loss fund
- Contributions can be paid from management fund
- Works well with proposed caps to management fund balances
- Allows districts to join together to manage this new exposure



Establishing the Target Loss Fund

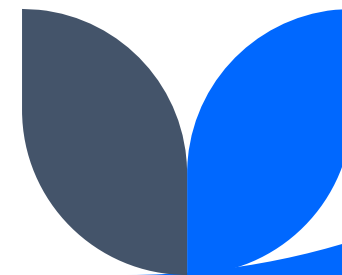
Policy Year	Claim Count	Total Incurred	1% Deductible (14% of Total Incurred)
7/1/26-27	(proj) 79	\$36,674,812	\$5,134,474
7/1/25-26	(proj) 74	\$33,261,734	\$4,656,643
7/1/24-25	(proj) 70	\$29,848,656	\$4,178,812
7/1/23-24	54	\$11,803,593	\$1,652,503
7/1/22-23	58	\$53,802,029	\$7,532,284
7/1/21-22	118	\$14,228,482	\$1,991,987
7/1/20-21	104	\$93,349,420	\$13,068,919
7/1/19-20	40	\$4,722,096	\$661,093
7/1/18-19	42	\$5,426,214	\$759,670
7/1/17-18	50	\$3,166,707	\$443,339
7/1/16-17	84	\$9,320,299	\$1,304,842
7/1/15-16	45	\$4,228,362	\$591,971
7/1/14-15	27	\$3,485,762	\$488,007
Grand Total (with projections)		\$303,318,164	\$42,464,543
Average (with projections)		23,332,166	3,266,503

\$10M Loss Fund

+\$5M Loss Fund Protection

\$15M Total Protection

(Enough to cover each of the past 50 years)



Why do we think the Target Loss Fund of \$10,000,000 is adequate?

1. Used conservative assumptions at every turn in analytics process
2. \$10M loss fund + \$5M protection insurance would have been enough to cover every district's 1% deductible each of the past 50 years
3. Validated by cost relative to deductible buy down insurance
 - 30% savings = typical carrier markup for expenses & profit
4. Validated by analysis of multiple loss fund protection carriers
 - Not a single carrier expressed that \$10M was not enough
 - One carrier even asked why we were collecting so much



What would claim payment look like?

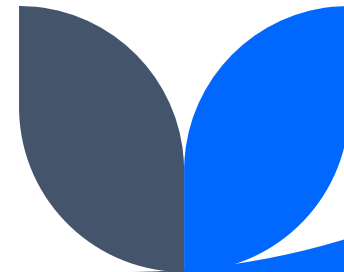
Claim Assumptions:

- Exterior only hail damage at one \$30,000,000 building
- 1% deductible = \$300,000
- Repairs = \$2,000,000
- District level SPF25 retention = \$25,000 per occurrence

- ✓ District pays: \$25,000
- ✓ SPF25 pays: $\$300,000 - \$25,000 = \$275,000$
- ✓ EMC pays: $\$2,000,000 - \$300,000 = \$1,700,000$

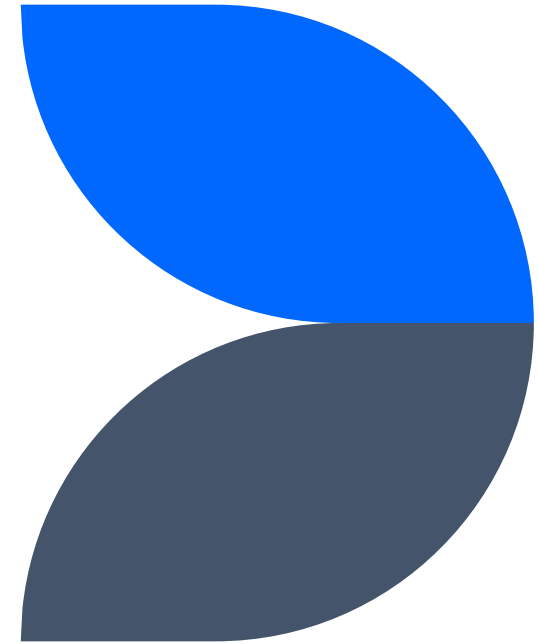
Where are we now?

- Advisory Committee indicated desire to explore this concept
- Extensive analytics indicate \$10M initial loss fund, assuming all eligible members participate
- District level retentions range from \$10K to \$100K per occurrence
- Developed loss fund contribution levels for participants
- Exploratory Committee of SBOs determined that we should move forward with the SPF2
- Securing loss fund insurance to protect members in unlikely event that loss fund were to become exhausted during the year
- Counsel has drafted 28E agreement and sample board resolution



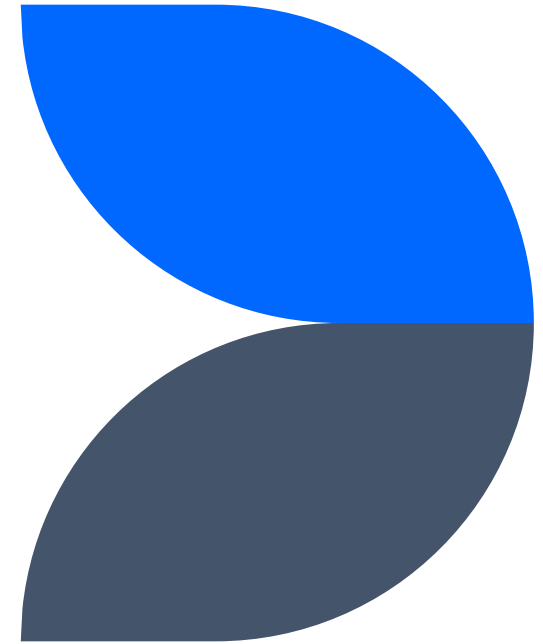
What is my role?

- Obtain/prepare/analyze data
- Determine appropriate funding levels
- Establish the 28E entity
- Maintain database of participating members and properties subject to 1% deductible
- Place loss fund protection coverage
- Advise Board/Executive Committee
- Coordinate w/ EMC, determine appropriate claim payments to participating members



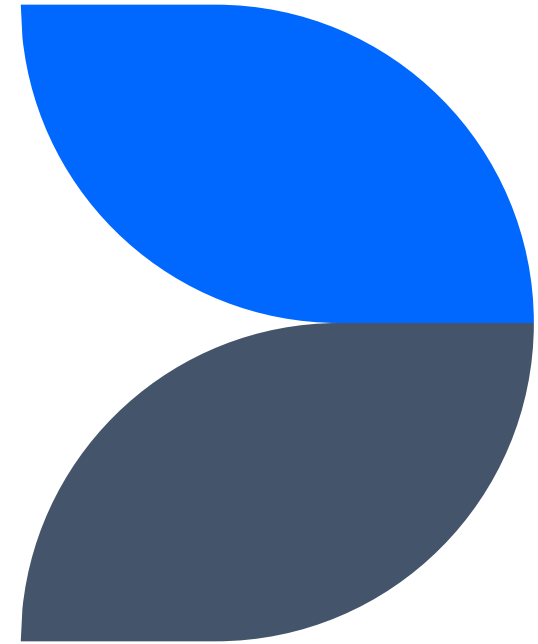
What is local agent's role?

- Help to ensure that your district/AEA is aware of this option to fund 1% wind/hail deductible
- Advise of any change in properties subject to 1% deductible
- The SPF is not insurance and commissions are not included in contribution amounts



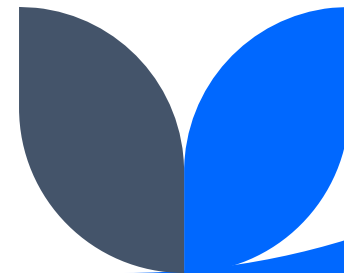
What is district's role?

- Evaluate to ensure SPF is good fit for your district
- Pass board resolution and join the SPF prior to June 27th
- Submit loss fund contribution by July 1st (to be received no later than July 10th)
- Advise of properties added or removed during the year



What's next?

- Form initial Board of Trustees
- Hired CPA firm (Trustpoint) to act as Fiscal Agent
- Distribute 28E agreement & sample board resolution
- Establish banking/investment accounts at approved facility
- Begin enrolling members
- Purchase aggregate loss fund protection coverage by 7-1



Initial Board of Trustees

- Kurt Subra, West Des Moines CSD
- Brandon Hansel, Fort Dodge CSD
- Paulette Newbold, Boone CSD
- Michael Kalvig, Waverly Shell Rock CSD
- + five more individuals (including four from smaller districts)

Protecting the integrity of the SPF – pt 1

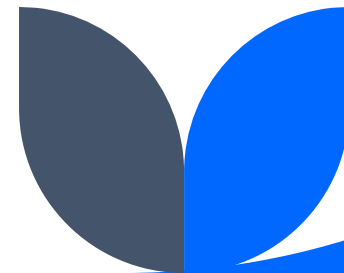
Participation limited to K-12 districts and AEAs insured with EMC and with properties subject to percentage deductible

- Community colleges not eligible
- EMC insureds only for ease of administration
 - SOV and claim downloads
 - Uniform coverage form
 - Claim coordination
- EMC will continue to adjust all wind/hail claims. There must be coverage under the EMC policy for the SPF to respond to a claim.



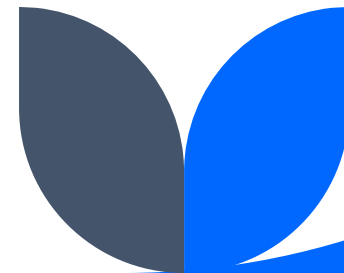
Protecting the integrity of the SPF – pt 2

- Retention levels are based on district size and/or claim experience
- Contribution amounts are higher for districts with recent adverse wind/hail claim experience
- All properties subject to EMC's percentage deductible must be included in the SPF (can't pick & choose which bldgs to cover)
- First year rates will apply even if participant joins in later year



Protecting the integrity of the SPF – pt 3

- Goal is to build the loss fund until it's sustainable without the need to purchase loss fund protection coverage
- Don't anticipate returning contributions to members in first few years as we're building the fund balance
- Future contribution levels will be determined by members based on:
 - Ending fund balance
 - Claim projections for upcoming year
 - Cost of loss fund protection coverage



Why should we join the SPF25?

- Cost effective solution
- Protects your district from large, unexpected expense
- Support other districts in the state (strength in numbers)
- Allows members to be good stewards of public funds



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