



Protecting a Significant School Asset: Property

In the last few months, we've had a number of inquiries about how to best protect and make school district property as marketable to insurance carriers as possible. Proposed legislation in the state budget would make significant changes to the Local Government Property Insurance Fund (LGPIF). (As of the writing of this article, the Joint Finance Committee voted to close the LGPIF effective Jan. 1, 2018. The bill still needs to pass the Senate and Assembly before going to the governor's desk.)

In this article, I will outline ways to assist in protecting your property against a loss and improving your chances for the best property proposal from carriers. I will also discuss some key coverage provisions to look for in a property proposal. All carriers have different forms for insuring property and it is important to know the key coverages to look for in a quote.

Risk Management 101 notes that to manage risk we must be planning, organizing, leading, controlling and allocating resources to achieve the goals of mitigating a potential loss to the district. Does your district have a policy statement about your goals related to preserving your property? Any policy statement should have the support of administration and be discussed at a building and grounds committee meeting.

■ Make Your Property Marketable to Insurance Carriers

In a previous career, I was an engineering consultant who performed property inspections for carriers. I found that there was a correlation between the quality of housekeeping in a building and the history of claims for that building.

Here are few tips to make your property marketable to the insurance carriers that may be quoting your insurance:

- **Inspectors look for areas like:** is the space clear in front of electrical panels; are flammables properly stored in the correct cabinets; are combustibles properly stored in shop class and maintenance areas; and are the chemicals properly stored in the science labs.
- **Central Station Alarm.** Having a central station alarm that will sound an alarm at a remote location is essential. Most carriers want this as a protection for school buildings. If your school does not have central station alarms, I would recommend putting that on the capital budget as soon as you can.
- **Preventative Maintenance and Inspection.** Have a preventative maintenance schedule and inspection process for your buildings. I was recently at a

school that had a great five-year plan for building improvements for HVAC, roof projects, window replacement and upgrading the boilers. This shows the underwriter that you have a plan of action to maintain your buildings for the long term.

- **Water Source.** How is your water source to your buildings? How close are the fire hydrants? If you are not aware of water pressure readings for hydrants near your buildings, you can go to your local municipality clerk's office or the water department, and obtain the latest pressure readings. Sometimes the reports the carriers use are outdated and recent reports from the municipality can help obtain a better proposal.
- **Fire Protection.** Do you know the fire protection class for your municipality? Class 1-8 properties are very marketable to carriers. If you have buildings in protection class 9 or 10 (usually rural), it is essential to have all the protection in place to obtain a competitive proposal.
- **Get Your Property Insured Correctly**

When insuring your property, there are several important factors to consider.

Does your district have a policy statement about your goals related to preserving your property?

- **Valuation.** Most carriers and brokers will provide professional valuation services. Some schools do contract with a private vendor for valuations. Closely review your valuations for accuracy. In speaking with a general contractor, most new school buildings are about \$165 per square foot. Take a look at your square footage and make sure your valuations are high enough to cover a total loss. Your property should be insured on a replacement-cost basis.
- **Blanket Coverage.** Make sure the proposal includes blanket coverage (insurance that provides more than one type of coverage using a single policy) for your buildings, building personal property and property in the open.
- **Agreed Value.** The Agreed Value (AV) endorsement should be on all school proposals. An AV is a coinsurance waiver that prevents property holders from being short on coverage for a partial loss if the valuations do not meet the carrier's criteria. Most carriers want to see at least 90 percent insured to value. If your school is a single K-12 building with no spread of risk, it is essential to insure 100 percent to value.
- **Extra Expense Coverage.** If you have property damage and have to lease space while conducting repairs, extra expense coverage will cover the cost of leasing a space.
- **Debris Removal Coverage.** This coverage can be critical, especially if district buildings contain lead paint and/or asbestos. If you have hazardous materials in your building, it can be very expensive to remove at the time of a loss. Be sure to ask about the amount and extent of coverage for removing and cleaning up pollutants.
- **Personal Property.** The property of others is a coverage that is sometimes overlooked. In one fire

loss I was involved with, we used the entire limit for personal property coverage. How much personal property is in your building at any one time? Sometimes shop teachers bring in their own tools that can have a high value. How many staff members have their own laptops or tablet computers in their classrooms?

- **Ordinance or Law.** This coverage protects you against increases in construction costs due to changes in local building ordinances or federal law changes like American with Disabilities Act (ADA). If you have an older building, your policy pays to replace what you have with the same construction. But if have a building that is not ADA accessible, there could be significant extra expenses above the replacement cost to bring your building up to code.
- **Vacancy Clause.** Do you know what the vacancy clause is on the policy? Not all carriers define vacancy the same way. If you have a building that is not being used for its intended

purpose (former school building now used for storage) you may have exposure to a vacancy clause limitation on coverage.

- **Surface Water Runoff and Flood.** This coverage is essential in Wisconsin. With heavy spring rains we sometimes find out too late that we have a building in a low spot or too close to a floodplain, and then have water damage. Schools need to review the history of water runoff near their buildings and determine if landscaping changes can be made to divert water away from a building. If coverage is not available through your carrier, apply for coverage through the National Flood Insurance Program.

Feel free to contact me if you have any questions about property risk management or properly insuring your buildings. You can contact me at jgibson@tricorinsurance.com or call 877-468-7426, ext. 1714. ■

John Gibson, CIC, CSR, is vice president of TRICOR Insurance. TRICOR Insurance is an endorsed agency through the WASB Insurance Plan. For more information, visit wasb.org and select "WASB Insurance Plan."

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