



Higgins

INSURANCE

May 17, 2022

Mr. Leonard Whalen
Dawson Springs Board of Education
118 E. Arcadia Avenue
Dawson Springs, KY 42408

RE: 2022-2023 School Year Insurance

Mr. Whalen,

Thank you for your time on the phone this afternoon. As we discussed, The Kentucky Department of Education has increased construction cost guidelines for schools by 20% due to inflation and supply chain issues. We are being required to increase your property insurance as outlined below.

Below is a premium comparison by line of business for the 2022-2023 school year. As you can see, it is the property line of business that is driving the increase in annual costs.

Line of Business	Last Year 2021-2022	Upcoming 2022-2023
Property/Inland Marine/Crime	\$43,613	\$58,541
General Liability and Cyber	5,520	5,624
School Board Liability	3,049	3,502
Auto and Bus Fleet	14,179	15,058
Commercial Umbrella	1,825	1,889
Total Annual Premium	\$68,186	\$84,614
Property Values per KDE	\$35,335,000	\$42,403,430 (+20%)

On a more positive note, your workers compensation costs are going down for the 22-23 school year. This is a result of an improved experience modification and lower claims.

Line of Business	Last Year 2021-2022	Upcoming 2021-2023
Workers Compensation	\$24,141.57	\$20,513.23

Thank you for allowing Higgins Insurance to be of service to you. As always, I'm available to answer any questions you may have.

Kind regards,

Malcolm Blane

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Property Insurance Replacement Costs

Guidelines for the 2022 estimated replacement costs per square foot for school buildings are as follows:

- Elementary schools \$299.46
- Middle schools \$305.90
- High schools \$327.00
- Vocational schools \$305.90
- Central offices \$301.07
- Storage buildings \$167.44
- Bus garages \$251.16

Structures in the following categories shall be insured at 100% replacement value as determined and agreed upon by the local board of education upon consultation with their insurance provider as follows:

- Ancillary structures such as temporary/modular or portable classrooms, greenhouses, head houses, barns, dugouts, press boxes, and sheds.

Please carefully review 702 KAR 3:030, especially Section 1, which requires that “Each such building and its contents shall be insured for an amount equal to 100 percent of the replacement cost thereof as shown on the schedule of values, and each policy covering such buildings and contents shall provide an agreed amount endorsement. The replacement cost of the building shall include the increased cost of construction brought about by code and regulatory changes that have occurred since the original structure was built and which would be required to be incorporated within the rebuilt structure.”

Please note:

- The 3/4 national average cost of building construction benchmark historically provided in R. S. Means Construction Cost Data is no longer available due to changes made by the publisher. This benchmark which consists of the cost of materials, labor and contractor’s overhead and profit is referenced in The Kentucky School Facilities Planning Manual (Planning Manual) incorporated by reference in 702 KAR 4:180. KDE adjusts it to include “soft costs” such as A/E fees, CM fees, contingencies and equipment, site development and site acquisition to estimate total project costs related to planning and insurance replacement cost purposes.
- KDE has used the costs included in the Planning Manual (2008) and applied the most recent inflation information reported by Federal Reserve Economic Data (FRED) “Producer Price Index by Industry: New School Building Construction” to determine the costs above.