



Gallagher

Insurance | Risk Management | Consulting

Insurance Basics for New Business Managers

Benefits

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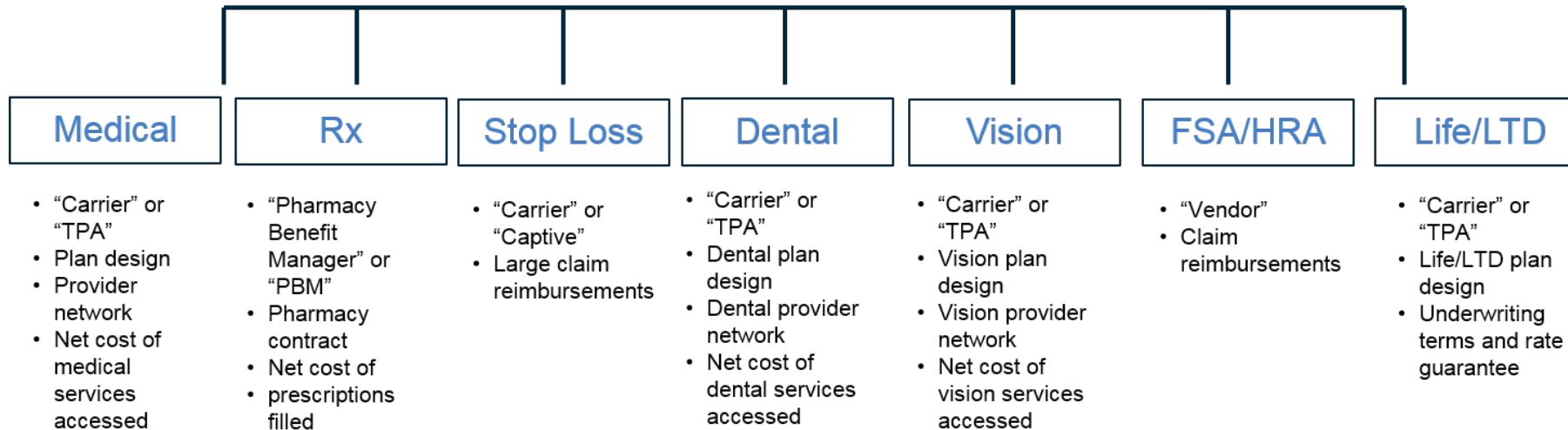
Gallagher Benefit Services, Inc.

The Anatomy of a Public School Benefit Program



Agent/consultant - - - - - District

Strategic considerations might include things like funding models, data transparency, employee disruption, potential for cost volatility, compliance, etc.



Other program elements might include voluntary/worksite benefits, COBRA, etc.

Key Elements



- What is covered?
- How much a participant has to pay when accessing services?

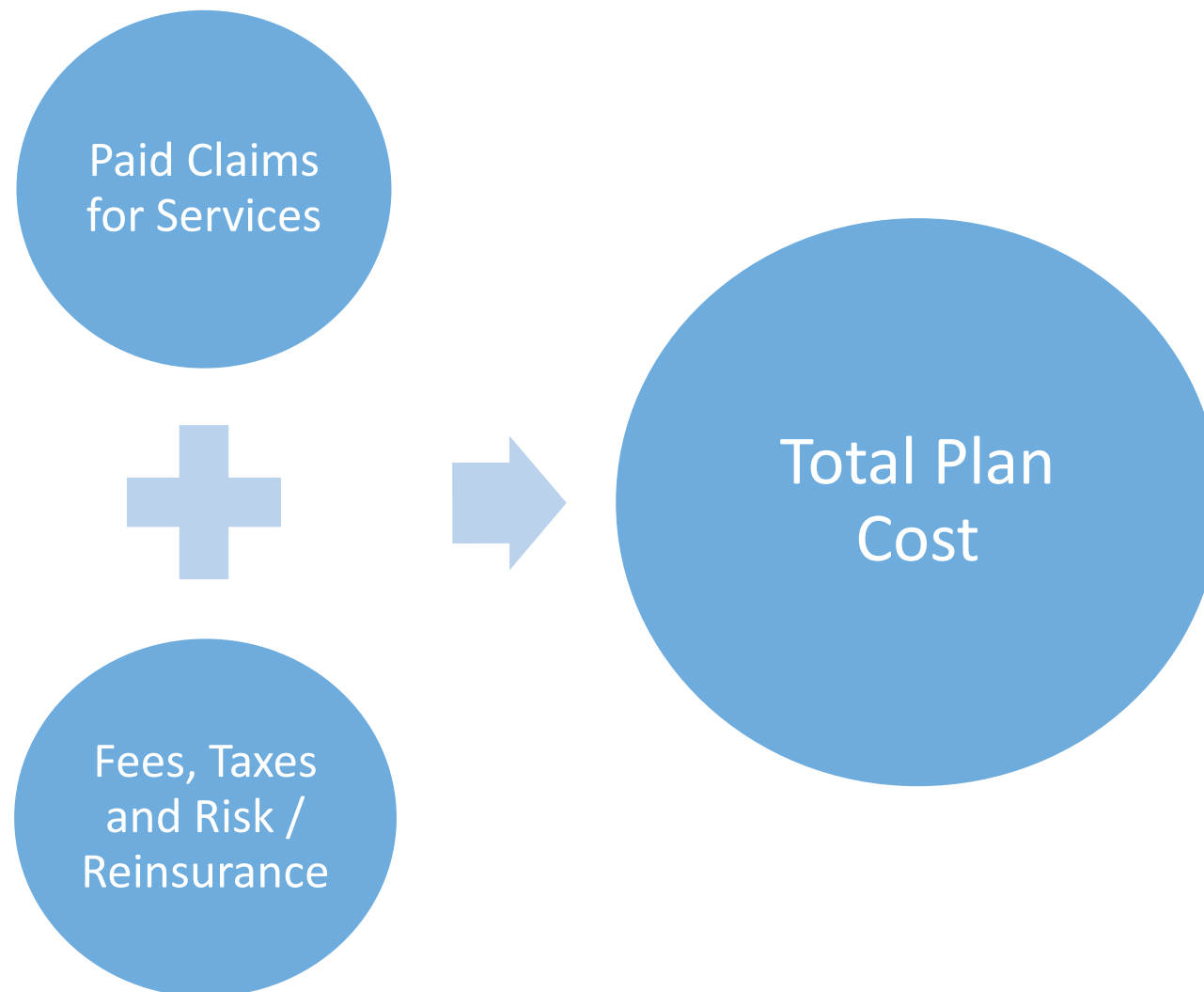


- List of facilities and providers where services can be accessed.
- Ability for participant to choose where and when to access services.

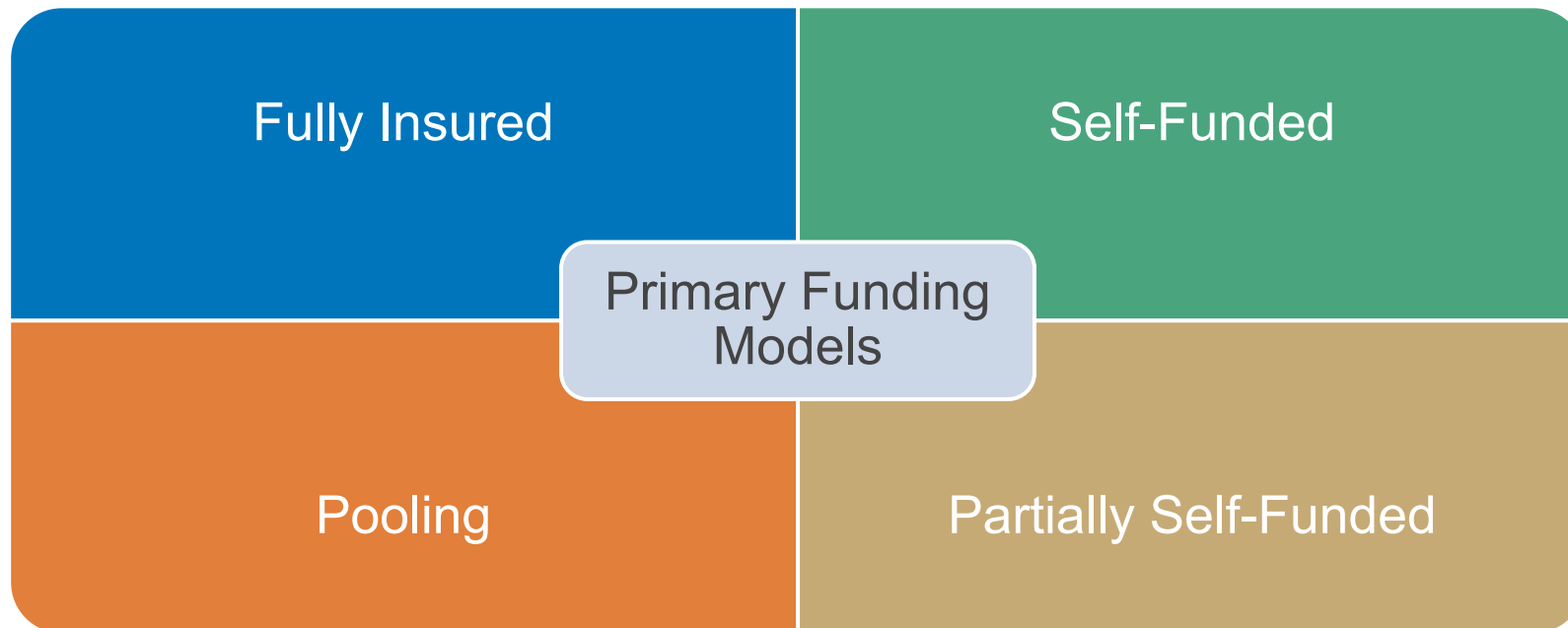


- What comes out of the employee's check to be enrolled in the plan
- PA 152

Components of Healthcare Plan Costs



Funding Overview

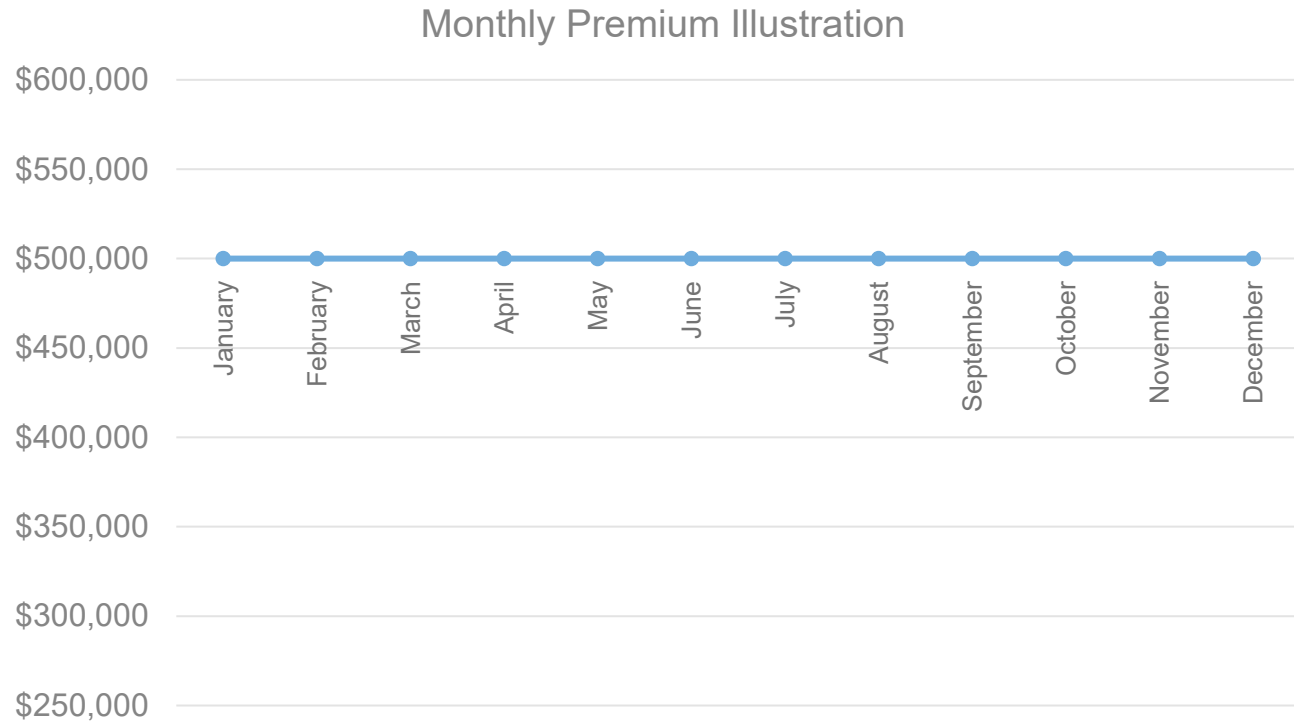


Funding Overview

Fully Insured

- Established single, two person and family rate for each plan offered
- Rates generally guaranteed for 12 months
- District pays the same rates for 12 months whether enrollees use more care than expected or less
- Claim data may or may not be considered when establishing rates (discussed later)

Enrollment Type ⁸	Monthly Rate	Enrollment	Total Monthly Premium
Single	\$600	100	\$60,000
Two Person	\$1,200	75	\$90,000
Family	\$1,750	200	\$350,000
TOTAL MONTHLY PREMIUM			\$500,000



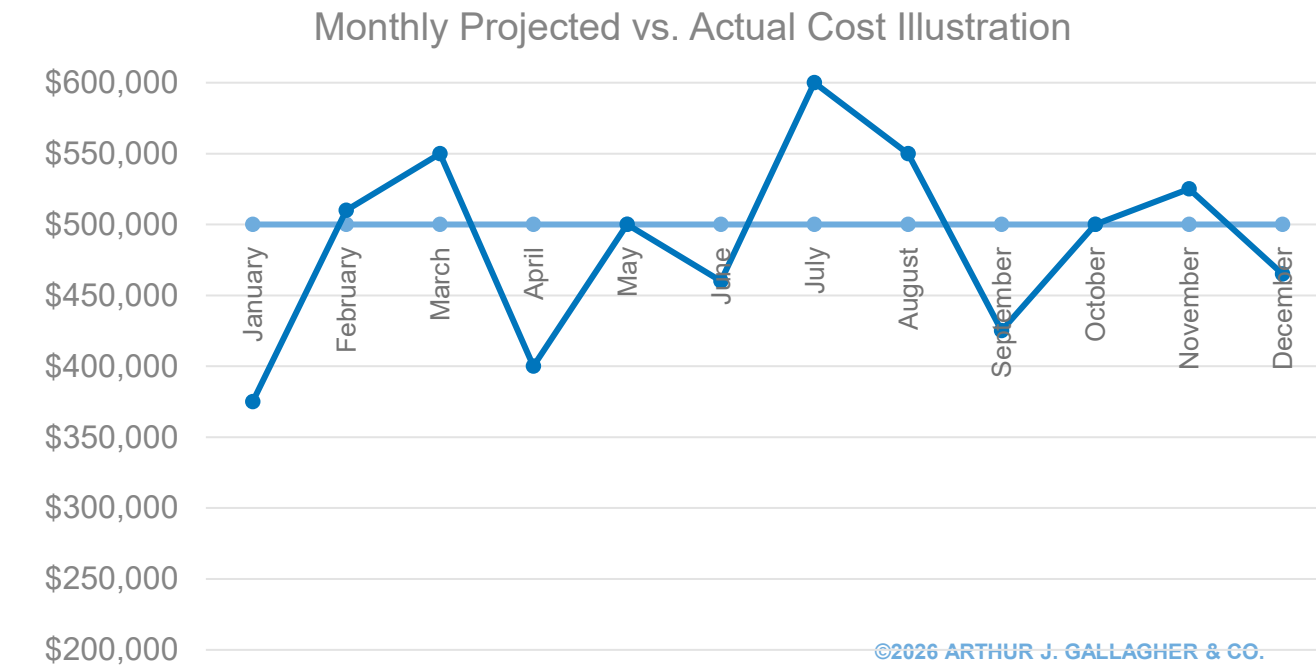
Assumes consistent enrollment all year for illustrative purposes

Funding Overview

Self Funded

- District pays for the cost of products and services as they are used by enrollees
- Rates are established based on projected costs expected for the 12 month plan year and are not guaranteed
- District pays more if enrollees use more care than expected and pays less if enrollees use less care than expected
- Insurance retained by district to protect against catastrophic losses called stop loss insurance

Cost Components	Monthly Rate	Enrollment	Total Monthly Projected Cost
Administrative Fee	\$75.00	375	\$28,125
Stoploss Insurance	\$125.00	375	\$46,875
Projected Claims	\$1,133.33	375	\$425,000
TOTAL			\$500,000

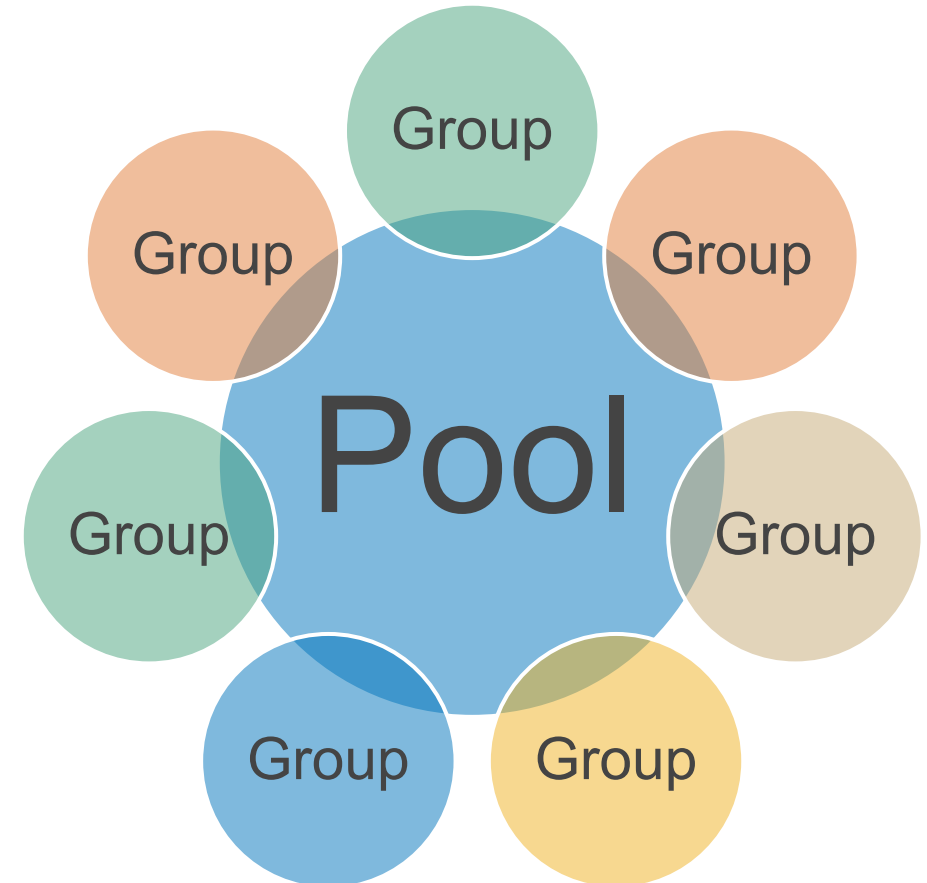


Assumes consistent enrollment all year for illustrative purposes

Funding Overview

Pooling (Based on the Western Michigan Health Insurance Pool)

- Sharing claim risk with other employers and taking advantage of collective buying power
- Established single, two person and family rate for each plan offered
- Rates guaranteed for 12 months
- Employer pays the same rates for 12 months whether enrollees use more care than expected or less
- Pool members make program decisions with a view toward providing high quality coverage at a reasonable and stable cost



Benefit Basics

Keys to success

- **Know your data**
- **Market your coverages to ensure cost efficiency**
- **Evaluate funding models (fully insured, self-funded, pooled)**
- **Challenge the status quo**
- **Be an educated buyer and educate your stakeholders**
- **If it is too good to be true...**
- **Beware the "free" offer**
 - "Free" quoting
 - "Free" benefit administration system/online enrollment technology
 - "Free" COBRA or FSA administration
 - "Free" Section 125 document services



Public Act 106 (PA 106)

Among other things, requires public employers procuring coverage or benefits to solicit proposals from a minimum of three insurance carriers and one VEBA every three years or whenever a plan change is made.

Considerations

- The partner selected for this process matters
- Use as a tool to educate
- Carefully review potential alternatives for risk exposure to Employer and employees, long term stability, fit with Employer's culture and potential for employee disruption (e.g. provider network, drug formulary change, coverage levels, service).

Marketing Timeline

Based on a January 1 renewal date

- Establish a vendor partner for marketing effort
- Establish strategy – January/February/March
- Engage stakeholders – February/March/April
- Collect data – June/July
- Release request for proposals to the market – July/August
- Compile and review marketing results – August/September/October
- Review marketing results with stakeholders – August/September/October
- Make decisions – earlier the better; no later than October 31
- Program implementation and open enrollment – October/November
- Decisions become effective January 1

PA 152

Signed into law in 2011 for a 2012+ effective date

Goal was to limit a public employer's healthcare costs through one of two methods (local units of government can opt out)

- Hard Cap: Specific dollar cap set for 2012, indexes annually
- 80/20

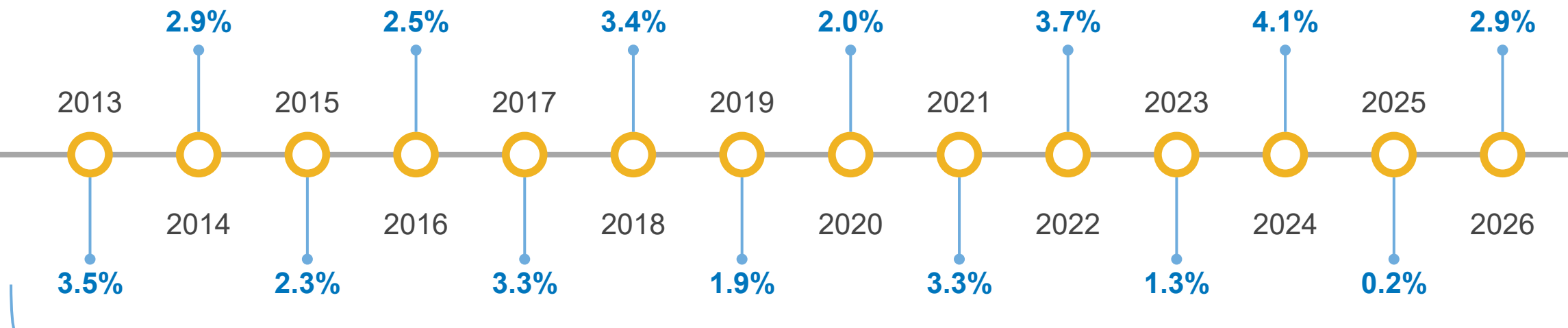
Employer “may allocate the employees’ share of total annual costs of the medical benefit plans among the employees of the public employer as it sees fit”



PA 152 Hard Cap

History of hard cap increases by year since inception

Hard Cap Increase



Average of 2.7% since inception



Average healthcare trend over this time period, based on observed annual healthcare trend study numbers, averaged roughly 8%

Trend History – Average Trended Cost vs. Cap Cost



- This gap is good for public budgets, makes attraction/retention difficult
- This is what put so much pressure on the existence of 152

PA 152, Proposed Amendment

Update, Status of Amended PA 152 bill:

The MI House and Senate each introduced bills throughout 2024 to modify PA 152

In late 2024, the Michigan Senate passed a proposed bill and the House agreed to the full title

The bill was referred to the House Clerk for enrollment printing and presentation to the Governor

House adjourned without a quorum

Bill was not presented to Governor Whitmer for signing
New legislative session began, bills not sent to Governor, creating litigation

Late October 2025, Appeals Court ruled that house republican leadership must transmit bills to Governor Whitmer's desk, which includes PA 152 updates (HB 6058)

In December, the House appealed to the state Supreme Court, where some feel the result will be consistent with the Appeals Court ruling....but will Gov Whitmer sign?

On March 27, the Michigan Supreme Court issued a motion for immediate consideration of the appeal of the October 27, 2025 Appeals Court judgment





Insurance Basics for New Business Managers

Property, Casualty and Workers' Compensation

MSBO April 23, 2026

John Zielinski, RPA/AJG

Account Executive



Insurance Basics

Main types of Insurance coverages.

1. Unemployment
2. Worker's Compensation
3. Property
 - a) Ancillary Lines
 - b) Builders Risk
4. Casualty



Unemployment Insurance

State of Michigan Controlled

Schools are a direct payee for all costs.

Appeal process exists against claims made (don't be optimistic)

(If you do appeal, you can elect to be represented by a State appointed unemployment advocate. Not necessarily a lawyer.)

Cost of doing business!

Worker's Compensation Insurance

Cover's lost wages and medical costs for on-the-job injuries.

Program Options:

1. "Self-insured" program – you manage all claims and direct pay any costs.
2. "Third-Party" program – you pay a company to monitor and pay claims based on payroll totals. Either as a single district or a Group/Pool purchase program.



Worker's Compensation Insurance

Self-Insured Programs:

1. Tend to be less efficient without a dedicated business office staff member overseeing the program.
2. Requires solid internal controls.
3. May be open to “additional” coverage language via contract negotiations.



Worker's Compensation Insurance

Third-Party Programs (Individual/Group/Pool):

1. More efficient but still requires a business office staff member to help oversee and report to the Third-Party. Typically, the payroll person.
2. Requires solid internal controls.
3. Easy to negotiate as a “take-it-or-leave-it” coverage with employee groups. Common language and coverages exist already. (66 2/3 % with limits.)
4. You are still “owner” of the program and will have input on how to proceed with a claim.



Worker's Compensation Insurance

Common Points:

1. Have a solid reporting form for on-the-job injuries.
2. Require first visits be to Occupational Medical Facility. Not to person's own physician.
3. Always require employee compliance in reporting and doctor visits. (Work with your directors/principals, to emphasize this to workers.)
4. Maintain all records and documentation in payroll file or medical file.
5. Can insist on partial duty, limited activity. Tends to get employee "healthy" much quicker.

Worker's Compensation

Market Update

Workers' Compensation and Excess Workers' Compensation continue to be very stable in pricing year-to-year. Profits for carriers are still common for companies and pools alike. Rates fluctuate annually due to changes in payroll (Exposure) and cost of claims made (Experience Modification Factor-Mod Factor).

Signs are clear: there are more large claims occurring as medical technology improves but this has not resulted in an increase to rates or attachments with no imminent signs of change.

Property Insurance

Low Cost – High Stakes

Property and Casualty insurance combined typically account for less than 1% of the annual budget in most districts.

Easy to be “under-insured”, even with a comprehensive policy. Inadequate coverage may cost a district millions of dollars in certain losses.

What is Property Insurance?

District owned “Property Insurance” includes:

- Actual/Physical Property: buildings, land.
- Inland Marine: goods, tools, cameras, warehouse items, IT equip, etc.
 - Non-permanent items. Comes from “Ocean Marine Insurance” which covered cargo shipped by sea, term stuck when ground transportation became common form of distributing goods. Evolved into “Inland Marine Insurance”. Has nothing to do with water
- Crime: theft, damage to property/land due to malicious behavior.
- Auto Physical Damage: district owned vehicles, buses, trailers, heavy equipment/tractors, etc.
- Boiler and Machinery Coverage: HVAC, boilers, etc.

What is not covered under Property Policy:

- Vacant Buildings: Most policies exclude buildings not being used for their stated purpose, or not at a level of 30% or more of intended use. Usually requires a separate policy to provide coverage.
- Active Construction/Renovations: Requires a “Builder’s Risk” policy which provides coverage for theft of materials, damage during construction, and faulty workmanship.
- Be aware of your policy definitions. Contact your broker to fully discuss unique situations, bond issuances, construction projects.

Builder's Risk Insurance

Contact your Insurance Broker!

- Standard AIA contracts are not your friend!
- Not just a piece of mind contract. (Job Security)
- Things to review:
 - Limits and deductibles
 - Subrogation Clause
 - Indemnification and Hold Harmless Language





Property Insurance – Self Managed

Best way to protect District owned Property:

- Maintain facilities. Timely repairs, proper cleaning, regular inspections.
 - Maintenance/custodial staff should be trained on awareness and reporting of concerns.
- Maintain property valuations. Insurance carrier/broker will assist with this.
 - Proper valuations equate to proper coverage if a major claim arises.
 - Update carrier with land purchase/sales, new construction/renovations, so policy can be updated.
- Timely reporting. Even if you don't think a claim will amount to much, get it on file with the carrier in case unknown issues arise months later.
 - Common for lightning strikes, electrical brown outs/cycling, electrical outages.

Property Insurance

Market Update

Property insurance costs are being driven by multiple factors:

- Cost of construction and auto part materials.
- Labor availability.
- Catastrophic claims. Fire, tornado, flood.
- Market carrier's willingness to take on risk.

Signs are clear: large claims are limiting access to insurance in some areas, while less-risk areas are also seeing price increases to cover high-risk areas and return carriers to profitability. Overall, Michigan markets are not as volatile as a Florida or California market, but the factors noted above are causing a “hard market” to continue.

Casualty Insurance....aka Liability Insurance

Covers Multiple Areas of a District's Risks

Lines of Coverage:

- Commercial General Liability
- Errors and Omissions/School Board Legal Liability
- Auto Liability
- Excess/Umbrella Liability
- Environmental Liability
- Cyber Liability



Casualty Insurance

Coverage for situations where the district, district employee, district policies, district facilities are being held legally and financially responsible for harm to others or their property.

- Covers outside individuals claiming to be harmed in some manner.
- Wide range of legal claims: third-party injuries or damage to non-district property, sexual abuse claims, employment practices claims, auto/bus accidents, etc.

Some key points!

Auto Liability:

Michigan is a no-fault State – Accidents are the responsibility of the vehicle owner.

Exceptions:

- A bus, or district vehicle hits a parked car.
- District employee is deemed negligent in their driving. Subrogation or tort suit may apply.
- Students on a bus will file a claim with their own auto insurance first.

Some key points!

Auto Liability:

- Rentals must be in the district name and paid for by the district.
- Pulling a trailer? Liability follows the vehicle towing the trailer. Physical Damage falls back to whomever owns the trailer.
- Volunteer Drivers for District Vehicles –Obtain a copy of their driver's license, background check, and run an updated MVR to make sure there are no red flags.
- NO 15 Passenger Vans! Law does not allow K-12 public education students to be transported in 11+ passenger vehicles (including the driver) - **Pupil Transportation Act (1990 PA 187)**.



Some key points!

School Board Legal Liability:

Catch-all for any district lawsuit for general reasons or against a specific board member or employee. Common claims:

- Civil rights violations. Spec-Ed, Title IX claims.
- Wrongful termination or harassment.

Casualty Insurance – Self Managed

Best way to protect District:

- Maintain and update board policies regularly.
- Document....Document....Document!
 - Laws have changed allowing SAM claims to be made in an extended windows. Currently a bill is pending to make these claims more favorable to victims.
 - Not having any documentation is almost assured a loss in court.
 - Keep district files in a common area/common folder so future CO staff know where to look.
- Timely reporting. Even if you don't think a claim will amount to much, get it on file with the carrier in case unknown issues arise months later. For large claims, this allows excess carriers to be involved from the beginning.

Casualty Insurance

Market Update

Sexual abuse and molestation claims continue to dominate the liability side of insurance. “Nuclear” jury verdicts (juries awarding multi-million-dollar settlements for weak cases) are causing carriers to reconsider language and coverage levels.

Signs are clear: a blend of challenges is driving this market. Although the market pricing seems to be stable, carriers are monitoring claims paid closely.



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Questions?

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