

**GLENBROOK HIGH SCHOOLS
District Business Office**

TO: Dr. Mike Riggle

FROM: Kimberly Ptak

DATE: July 14, 2014

RE: Approval of Lenovo Chromebook Insurance

Recommendation

It is recommended that the Board of Education:

1. Self-insure the Lenovo Chromebook Thinkpad 11e Yoga student devices at an annual estimated net cost of \$17,006.
2. Charge an escalating deductible of –
 - \$50 first incident
 - \$75 second incident
 - \$100 third and subsequent incidents

If damage is deemed malicious by school administration, the full cost of repair/replacement will be charged.

Background

The Board approved the purchase of 1,350 Lenovo Chromebooks for the incoming freshman class of 2018 and 1,225 Lenovo Chromebooks for next year's sophomore class of 2017. Rather than using a third party insurance company, as with the Samsung Chromebooks, the district spent time thoroughly investigating a self-insurance option.

How will it work?

Lenovo offers a self-maintainer program where Becks bookstore personnel can receive A plus certification to fix the Chromebooks in-house. The annual cost to participate in the Lenovo self-maintainer program is \$1,000 and will be waived by Lenovo. The program allows Becks to purchase Lenovo parts through a portal at a deeply discounted price (66% discount). The District is currently paying Becks \$20,000/year (\$5,000 per grade level) to manage the Chromebook program. This cost will not change if Becks takes on this additional repair responsibility. See below for an annual cost comparison of using a third party insurance company vs. self-insuring:

	<u>Cost with third party Insurance company</u>	<u>Cost of self-insuring (i.e. fixing in-house)</u>
Number of devices	2,575	2,575
Fixed cost	\$28/year	
Total Cost	\$72,100	
Assume 10% break *		258
Average cost to fix		\$75
		\$19,350
Assume 1% theft **		26
Replacement Cost		\$456
		\$11,856
Total Cost:		\$31,206
\$50 deductible assuming 284 claims	(\$14,200)	(\$14,200)
Net Cost	\$57,900	\$17,006
Savings:		\$40,894

*The current Samsung devices have had a 28% breakage rate. The Lenovo is built very differently, to a military specification, and has dragontrail glass (flexible), anchored hinges, a sealed and anchored key board and rubberized bumpers. We feel a 10% breakage rate for the Lenovo is extremely conservative. According to Lenovo, the industry breakage rate on similar devices built to military specifications is 1-2%.

** The current theft rate has been .1%, so a 1% assumption is extremely conservative.

Estimated time for repair

In addition to the cost savings, fixing the devices in-house is a more efficient process. Currently, bookstore personnel are required to box up damaged devices and send them to the insurance company. The turnaround time is typically 2-3 weeks. Fixing the devices in-house will allow for a much quicker turn-around.