



SCHOOL BOARD ACTION REPORT

DATE: June 8, 2017
FROM: Dr. Larry Nyland, Superintendent
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For Intro: June 28, 2017
For Action: July 5, 2017

1. Title

Renewal of Washington Schools Risk Management Pool coverage for fiscal year 2017-2018

2. PURPOSE

On August 20, 2002, Seattle Public Schools entered into a Cooperative Risk Management Pool Account Agreement with the Washington Schools Risk Management Pool (WSRMP). The Agreement automatically renews annually, unless the District files a notice of intent to withdraw. Such notice is required to be filed three years prior to the withdrawal date.

Because our required contribution to the WSRMP loss funding pool is in excess of \$250,000 each year, the expenditure requires Board approval under Board Policy No. 6220, Procurement. This Board Action will accept the proposed coverage agreement and authorize expenditure of the premium contribution in the 2017-2018 fiscal year.

This Board action will also mean that the District will continue to utilize WSRMP and pay premiums until at least August 31, 2020.

3. RECOMMENDED MOTION

I move that the Superintendent be authorized to accept the proposed Washington Schools Risk Management Pool coverage agreement for the 2017-2018 fiscal year and that the expenditure of \$1,945,585 in premium contributions to the WSRMP loss funding pool be authorized.

4. BACKGROUND INFORMATION

a. Background

Each new fiscal year's required contribution to the WSRMP loss funding pool, in excess of \$250,000, requires Board ratification under Board Policy No. 6220, Procurement.

Local government entity joint self-insurance pools are authorized under Chapter 48.62 RCW "Local Government Insurance Transactions" and are audited and regulated by the State Risk Manager, in collaboration with the Superintendent of Public Instruction when the participants are school districts or Educational Service Districts (ESD).

The Washington Schools Risk Management Pool was created in 1986, when commercial insurance markets were unwilling to insure the risks of K-12 school districts. Its membership currently includes 70 school districts and 10 Educational Service Districts (ESDs). Of those, 53 districts and three ESDs have been members continuously since the Pool's inception. Among the nearly 135 school districts served directly or through their ESD are Spokane, Tacoma, Federal Way, Lake Washington, Edmonds, Northshore and Puyallup.

The coverage provided by the WSRMP currently includes liability limits of \$40 million per occurrence for general liability, employment practices and sexual abuse, subject to a \$250,000 self-insured retention. Limits for automobile liability are also \$40 million with no deductible. There is an annual aggregate only in the highest layer of coverage, so the Pool would pay as many claims of \$10 million or less as the District might conceivably have. The amounts paid between \$10 million and \$40 million are subject to a \$70 million annual aggregate so if the District were to have multiple \$40 million losses in a single year, our coverage would drop back down to \$10 million.

For property (buildings, contents and automobiles), the WSRMP covers up to a loss limit of \$500 million per occurrence with a \$5,000 deductible (\$1,000 for automobiles). The District's highest concentration of building values within a quarter mile radius of each other is less than \$200 million so the occurrence limit is sufficient for any loss. There is, again, no annual aggregate so any further losses would continue to be covered up to \$500 million per occurrence.

b. Alternatives

There are two alternatives to this recommended WSRMP coverage proposal.

- (1) The District could choose to set aside funds to self-insure all property and liability claims, or
- (2) The District could seek to obtain coverage from commercial insurance carriers.

These two alternatives could not be implemented immediately, as the District would be required to first file a notice of intent to withdraw from the WSRMP. Based on the notice requirements in the Pool Account Agreement, the earliest date our withdrawal could be effective would be September 1, 2020. The District would be contractually obligated to continue coverage and pay premiums to the WSRMP until that date.

The first alternative would require the availability of several million dollars (with the specific amount determined by an actuary) to be placed into a dedicated reserve fund for payment of the claims that are currently covered by the WSRMP. The District would be exposed to potentially unlimited liability claims in the absence of coverage.

The WSRMP Cooperative Risk Management Pool Account Agreement includes the requirement that a notice of intent to withdraw from membership be filed three-years prior to exiting the program. This makes it challenging to obtain competitive proposals, as insurers are unable to estimate what coverage might cost two or three years out.

Unless the District decides to take the significant step of filing a notice of intent to withdraw, it will not be possible to obtain alternative offers that could be acted on. Given the very positive relationship and excellent service we have received from the WSRMP to date, we do not feel it appropriate to make such a filing at this time. Additionally, obtaining insurance that matches the wide array of value-added services and school-specific coverage enhancements that the Pool provides its members has proven to be very difficult for school districts.

c. Research

Every year, the Council of Great City Schools surveys member districts about their risk management results. Washington State has a less favorable liability environment than many other states, with a complete absence of statutory caps to liability claims against government agencies. Nevertheless, Seattle Public Schools' annual claim costs are lower than many other large urban districts on a per student basis. Few school districts carry higher limits of coverage than the \$40 million per claim provided by the WSRMP, including Los Angeles Unified, with a liability limit of \$50 million.

Currently all school districts in Washington State are insured with one of two school self-insurance pools. Liability claim limits are \$40 million per occurrence/\$70 million aggregate with the WSRMP, \$25 million per occurrence/\$31 million aggregate with the Schools Insurance Association of Washington (SIAW). Property limits are at \$500 million per loss with the WSRMP, \$150 million with the SIAW.

5. FISCAL IMPACT/REVENUE SOURCE

The fiscal impact to this action is \$1,945,585, the proposed renewal premium contribution to Washington Schools Risk Management Pool. The first half of this amount will be due on October 31, 2017; the second half on April 30, 2018.

The proposed premium contribution expense is incorporated into the general fund budget proposed for fiscal year 2017-2018.

Expenditure: One-time Annual Multi-Year N/A

Revenue: One-time Annual Multi-Year N/A

6. COMMUNITY ENGAGEMENT

With guidance from the District's Community Engagement tool, this action was determined to merit the following tier of community engagement:

Not applicable

Tier 1: Inform

Tier 2: Consult/Involve

Tier 3: Collaborate

7. EQUITY ANALYSIS

Not applicable

8. STUDENT BENEFIT

Continued property coverage will enable the District to promptly respond to damage or loss to District property, repairing damage to buildings or replacing classroom materials. Keeping such interruptions to the learning process to a minimum is essential to student success. Continued liability coverage will provide the funds necessary to indemnify a student who is injured through a negligent act of the District or its employees.

9. WHY BOARD ACTION IS NECESSARY

Amount of contract initial value or contract amendment exceeds \$250,000 (Policy No. 6220)

Amount of grant exceeds \$250,000 in a single fiscal year (Policy No. 6114)

Adopting, amending, or repealing a Board policy

Formally accepting the completion of a public works project and closing out the contract

Legal requirement for the School Board to take action on this matter

Board Policy No. _____, [TITLE], provides the Board shall approve this item

Other: _____

10. POLICY IMPLICATION

Board Policy No. 6530, Insurance, calls for the District to “maintain sufficient liability insurance to protect it against claims for the negligent or wrongful acts of its staff or agents” and to “maintain a comprehensive insurance program which will provide adequate coverage” for property claims.

Board Policy No. 6220, Procurement, requires Board approval for any contract over \$250,000.

11. BOARD COMMITTEE RECOMMENDATION

This motion was discussed at the Audit & Finance Committee meeting on June 8, 2017. The Committee reviewed the motion and it was recommended for approval.

12. TIMELINE FOR IMPLEMENTATION

Upon approval of this motion approving the proposed coverage for 2017-2018, we will communicate approval to the WSRMP and receive confirmation of continued coverage prior to the renewal date of September 1, 2017.

13. ATTACHMENTS

- 2017-2018 Contribution Quote – Member: Seattle Public Schools