



## **SCHOOL BOARD ACTION REPORT**

**DATE:** May 2, 2018  
**FROM:** Dr. Larry Nyland, Superintendent  
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**For Introduction:** May 23, 2018

**For Action:** June 6, 2018

### **1. TITLE**

Renewal of Washington Schools Risk Management Pool coverage for fiscal year 2018-2019

### **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 two years and three months 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 2018-2019 fiscal year.

This Board action will also mean that the District will continue to utilize WSRMP and pay premiums until at least August 31, 2021.

### **3. RECOMMENDED MOTION**

I move that the Superintendent be authorized to accept the proposed Washington Schools Risk Management Pool coverage agreement for the 2018-2019 fiscal year and that the expenditure of \$2,556,556 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 80 school districts and 15 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 \$1 billion 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 \$250 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 \$1 billion per occurrence.

For the 2017-2018 school year, the total premium was \$2,422,550. The original premium was quoted at \$1,945,585 but, due to the dramatic increase in sexual abuse claim payments, the WSRMP was forced to take a mid-year rate adjustment resulting in \$476,965 in additional premium.

**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 two years and three months 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.

It should be noted that WSRMP members have experienced many claims for sexual abuse and molestation over the past two years, including 93 such incidents reported between 9/1/2017 and 2/28/2018. Increased claims payments have resulted in a significant increase (roughly 37%) in the required premium contributions from last year. The WSRMP has taken steps to help their member districts reduce the number of such claims. A loss control program launched in 2017 encouraged districts to embrace best practices in this area and Seattle Public Schools earned 128 of 130 possible points for its risk management procedures in this area.

Although Seattle Public Schools has not had the same frequency or severity of claims as some of the other large districts, we know that one incident is too many and we are participating on the WSRMP Sexual Abuse Prevention Advisory Group. We are also providing best practice guidance to the staff team currently working to update Board Policy No. 5253, Maintaining Professional Staff/Student Boundaries. It appears that these vigorous efforts by the WSRMP and its member districts are beginning to slow the rate of new claims being reported, so we are hopeful that premium contributions will not increase as sharply in the future.

**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 district aggregate with the WSRMP, \$25 million per occurrence/\$150 million pool aggregate with the Schools Insurance Association of Washington (SIAW). Property limits are at \$1 billion per loss with the WSRMP, \$150 million with the SIAW.

**5. FISCAL IMPACT/REVENUE SOURCE**

Fiscal impact to this action will be \$2,556,556, the proposed renewal premium contribution to Washington Schools Risk Management Pool. The first half of this amount will be due on October 1, 2018 and the second half on April 30, 2019.

The proposed premium contribution expense is incorporated into the general fund budget proposed for 2018-2019.

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 and Finance Committee meeting on May 14, 2018. The Committee reviewed the motion and moved the item forward with a recommendation for approval by the full Board.

**12. TIMELINE FOR IMPLEMENTATION**

Upon approval of this motion accepting the proposed coverage for 2018-2019, we will communicate approval to the WSRMP and receive confirmation of continued coverage prior to the renewal date of September 1, 2018.

**13. ATTACHMENTS**

- 2018-2019 Contribution Quote – Member: Seattle Public Schools

## MEMBER: Seattle Public Schools

Quoted deductibles are based on your 2017-2018 Coverage deductible selections.

<b>PROPERTY</b>	<b>Loss Modification Factor: 0.665</b>		
<b>Coverage Type</b>	<b>Amount</b>	<b>Deductible</b>	<b>Contribution</b>
Property	\$2,631,841,228	\$5,000	\$1,069,357
ACC-Buses	2	\$1,000	\$545
ACC- Vehicles	266	\$1,000	\$36,238

<b>LIABILITY</b>	<b>Loss Modification Factor: 0.755</b>		
<b>Coverage Type</b>	<b>Amount</b>	<b>Deductible/SIR</b>	<b>Contribution</b>
GL/E&O Student FTE	52,465.07	\$250,000 SIR	\$1,280,905
EPL Employee FTE	5,907	\$250,000 SIR	\$143,645
Liability Buses	2	\$0	\$1,123
Liability Vehicles	266	\$0	\$97,420

<b>Gross Member Contribution</b>	<b>\$2,629,233</b>
<b>RAS Credit 3 % (3% max of 17-18 Gross Contribution incl. Mid-Year Adjustment)</b>	<b>\$72,677</b>
<b>Net Member Contribution</b>	<b>\$2,556,556</b>