

CharterSAFE

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Dear CharterSAFE Member:

Thank you for your continued membership in the CharterSAFE insurance and risk management program. The eventful 2018-19 program year is nearing an end, and the renewal process for the upcoming 2019-20 program year is underway.

Enclosed is your 2019-20 renewal proposal. Material changes to the 2019-20 program are outlined below, along with a summary of the current scholastic risk and insurance environment. In conjunction with the proposal, attached is the April 2019 CharterSAFE Executive Report.

Insurance Climate for Charter Schools

The insurance industry has experienced consecutive years of significant catastrophic property losses. Wildfire claims were hitting the property insurance industry while they were still struggling to recover from devastating hurricane losses in Florida, Texas, and North Carolina. At the same time a high frequency of water damage claims, that are generally preventable with proper maintenance, has resulted in an increase in cost, decrease in coverage, and many insurance companies pulling out of insuring property in California.

CharterSAFE members were directly affected by the notable Camp and Woolsey Fires. The Camp Fire was one of the most destructive and deadliest wildfires in United States history and the costliest single property loss ever for CharterSAFE.

High frequency of water damage claims is primarily from older, re-purposed buildings that require extensive retrofitting for educational needs, often with landlords that do not properly maintain the buildings. These facilities have greater maintenance demands, and if not met, the buildings are far more susceptible to water intrusion again and again. CharterSAFE recommends always reading your leases before signing to make sure the duty to maintenance and repair is fair and upheld for your schools!

Unfortunately, liability costs are exponentially rising concurrently. National social movements have increased awareness of sexual misconduct and led to more reported claims, while schools continue to experience rampant increases in litigation costs. Additionally, a national dialogue over equal pay, harassment, and wrongful termination has contributed to a similar increase in employment-related claims, and therefore, costs.

CharterSAFE members are not immune to the devastating effects of sexual misconduct, including abuse and molestation. Since 2010, over 75% of CharterSAFE's cost of liability claims are due to staff-student molestation. That's over \$26,000,000! The monetary costs are staggering, yet those huge payouts do little to repair the residual damage to the victims, collateral damage to the school's reputation, or restore eroded trust. More so, they do nothing to prevent it from happening today and in the future. These evil criminal acts cannot be tolerated. Increased awareness has provided innocent victims with the courage to report abuse; the next step is to provide those in a position to prevent these crimes with the tools to recognize and thwart abuses before they happen. Some of these efforts will be outlined later in this letter.

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While sexual abuse claims are more expensive, employment claims happen with much higher frequency. The best method to combat these claims is knowledge and documentation. Schools need increased access to human resources expertise to properly handle employment situations and avoid costly claims arising out California's complex and constantly changing employment laws and regulations.

Charter schools, in particular, have had an emergence of crime losses in the form of employee embezzlement. These losses often occur over an extended period; this is problematic as the theft is discovered well after the fact, making investigation difficult and recovery of stolen funds impossible. Add the dark cloud of targeted school violence to the forecast, and a "perfect storm" of severe negative forces have developed over California charter schools.

Adverse insurance market conditions currently exist nationwide but are compounded for entities located in California with exponentially higher litigation expenses, settlement demands, and jury awards. This environment results in fewer insurance companies that are willing to provide the quality and limits of coverage that stimulate competitive pricing in the various lines of liability coverage.

While costs for property and liability coverages continue to escalate, one ray of sunshine is stable workers' compensation costs. Influenced by a strong economy, record low unemployment, and generally safer workplaces, workers' compensation costs are forecasted to remain stable for the near future.

CharterSAFE's 2019-20 Strategy to Maintain Stable Rates and Superior Coverage

Coverages and Services

With ongoing pressures from various liability and property lines of coverage, the CharterSAFE team continues to creatively and proactively shelter members from the full impact of these conditions while continuing to provide the most comprehensive coverages and limits. Numerous focused coverage enhancements and risk-reduction measures will take effect in the 2019-20 coverage period. These changes, outlined below, directly address the national, statewide, and charter school-specific challenges detailed above. *(A summary of Material coverage changes effective for the 2019-20 renewal are in italicized. Please refer to the 2019-20 Memorandum of Coverage for full coverage details.)*

One notable effort is CharterSAFE's no-cost human resources (HR) support that is second-to-none. These services address the need for advanced expertise to navigate the myriad of labor laws and regulations. Taking it a step further, CharterSAFE will launch a robust, proprietary multi-module HR training program in July 2019 through our new learning management system – The CharterSAFE Learning Center. All members will have access to this program, which plans on rolling out one essential HR topic per month specific to California charter schools throughout the 2019-20 coverage period.

Two years ago, CharterSAFE launched a multi-year campaign to stem the tide of sexual molestation in member schools. Since last year, members were provided and are encouraged to adopt CharterSAFE's effective student/ staff interaction guidelines (Boundaries Policy). For the next step in this process, CharterSAFE is developing a sexual abuse prevention training module in the CharterSAFE Learning Center and will require that each member mandate the CharterSAFE Sexual Abuse Prevention Training for all staff. We expect to roll out this training in late summer. Child Abuse Mandated Reporter Training continues to be available to CharterSAFE

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members through Safeschools.com. The new training mandate serves both our efforts to reduce sexual abuse and molestation and to negotiate with insurance carriers to continue providing comprehensive coverage and limits for sexual abuse claims. While the traditional insurance market, in response to the increasing severity and frequency of sexual abuse claims, is offering less than \$10M of limits for sexual abuse, we are able to continue providing \$30M in limits with the same coverage quality by implementing this training mandate.

The following change to the CharterSAFE liability coverage is effective beginning with the 2019-20 coverage period:

- *Each employee of the Named Member is required to complete mandated training within 90 days of the implementation of the Sexual Abuse Prevention Training on the CharterSAFE Learning Center:*
 - *Named Members who satisfy this requirement will continue to enjoy the full \$30M per occurrence and aggregate for sexual abuse and molestation claims*
 - *Named Members who fail to satisfy this requirement will be afforded \$10M in aggregate limits for sexual abuse and molestation claims*
 - *This mandate must be satisfied annually to avoid reduced limits for sexual abuse and molestation claims*

Members that have repeated claims from the same cause indicates that effective post-loss mitigation procedures are not being implemented. To ensure membership-wide accountability and encourage greater focus on loss prevention, tiered member deductibles will apply to two specific types of losses:

- *Subject to Named Member's claim experience beginning five years prior to the inception of the period of coverage up to the date of loss, one or more claims on your loss history will increase the deductible as follows:*
 - *Under Property, claims for Water Damage are subject to the following deductible schedule:*

<i>0 Prior Claims:</i>	<i>\$1,000 per occurrence</i>
<i>1 Prior Claim:</i>	<i>\$5,000 per occurrence</i>
<i>2 Prior Claims:</i>	<i>\$10,000 per occurrence</i>
<i>3 or more Prior Claims:</i>	<i>\$20,000 per occurrence</i>
 - *Under Crime, claims for Employee Dishonesty are subject to the following deductible schedule:*

<i>0 Prior Claims:</i>	<i>\$500 per occurrence</i>
<i>1 Prior Claim:</i>	<i>\$5,000 per occurrence</i>
<i>2 Prior Claims:</i>	<i>\$10,000 per occurrence</i>
<i>3 or more Prior Claims:</i>	<i>\$20,000 per occurrence</i>

An additional change is made to the Employee Dishonesty Supplemental Coverage:

- *Any loss occurring prior to the Named Member's coverage effective date with CharterSAFE will be paid in excess of any coverage afforded by any prior carrier, and CharterSAFE's total payments on these losses will not exceed \$100,000*

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- *If the Named Member has no prior coverage, CharterSAFE will only pay for the portion of the loss that occurred during the CharterSAFE coverage period*

To provide recovery assistance for incidents involving armed assailant(s) at school, an enhancement to the General Liability program will provide the following supplemental coverage for damages caused by an armed assailant:

- *\$100,000 Annual Aggregate limit has been added to cover:*
 - *Property losses, including business interruption and extra expense*
 - *Crisis response and public relations expenses*
 - *Funeral expenses and medical payments*

Additional coverage changes effective during the 2019-20 coverage period include:

- *Under Educators Legal liability - Individualized Education Program (IEP) Sublimit:*
 - *Coverage limits will remain at \$50,000 per occurrence/aggregate, but claims will only be paid on expenses incurred on or after the date that CharterSAFE receives claim notification from the Named Member.*
 - *Future claims payments will be made on a reimbursement basis to the Named Member, rather than paid directly to the legal defense provider*
 - *The coverage limit for plaintiff legal expenses will be increased from \$5,000 to \$7,500. This limit is inclusive of the \$50,000 aggregate.*
- *Under Employee Benefits Liability:*
 - *An exclusion has been added for claims based on failure to comply with STRS and PERS retirement programs.*

Rates

CharterSAFE continues to provide stable rates in this unstable insurance environment without compromising the program's strong financial position and quality of coverage and services.

For the 2019-20 coverage renewal, CharterSAFE's pool-wide average rates have been held to a 18.5% increase for the property and liability package at a time when 30-40% rate increases or more for educational entities are common.

Good news, CharterSAFE's workers' compensation pool-wide average rates will see a 6.5% rate reduction!

These are rough times for charter schools, but you can be confident that CharterSAFE will be a trusted partner and adapt and thrive through the ever-changing environment alongside you. CharterSAFE was created with and continues to operate with a single purpose - to expertly serve the unique risk management and insurance needs of California charter schools - our members and owners.

We look forward to working with you in the 2019-20 policy period, and as always, we welcome your feedback on any of our services or coverages.

Best regards,

The CharterSAFE Team

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