

## CharterSAFE Insurance and Risk Management | 2020-2021 Renewal

Dear CharterSAFE member,

For the last 15+ years, CharterSAFE has been the only nonprofit, membership organization founded by charter leaders with the sole purpose of serving California charter schools. We provide high-quality insurance coverage and risk management services to over 270 member schools representing 180,000+ students and work as partners to ensure member schools are safe and sustainable.

As a nonprofit risk pool, CharterSAFE is designed as a long-term solution that can weather difficult insurance market conditions. Based on our program size, strong financial position, and successful results from ongoing risk management efforts, we have solutions and support services that are not available to schools that purchase a stand-alone policy from a for-profit insurance company. As a member of CharterSAFE, you are not only insured, you are an owner.

Each year, in addition to helping our member schools stay safe, CharterSAFE's team diligently evaluates all of the coverage programs and negotiates with our insurance carrier partners to provide members with the best possible pricing and coverage terms. Joint Power Authorities (JPAs) like CharterSAFE harness the power of group purchasing to obtain competitive pricing. By leveraging our size, we are able to negotiate terms with dozens of leading domestic and international insurance and reinsurance companies, which no individual school or insurance broker could access through the direct market. This ongoing due diligence on member schools' behalf is a valuable benefit of your ownership.

**Thank you for your continued membership in the CharterSAFE insurance and risk management program. The 2019-2020 program year is nearing an end, and the renewal process for the upcoming 2020-2021 program year is now well underway. Enclosed for your review is your 2020-2021 renewal proposal.**

### CharterSAFE's Strategy to Maintain Stable Rates and Superior Coverage

Across the country, and especially in California, extraordinary events like wildfires and floods, increases in litigation, large settlements, and new laws have negatively impacted the cost and availability of coverage for all schools. As a result, the insurance market forecasts a cycle in which premiums and deductibles would, and are, exponentially rising for schools.

Coupled with these rising costs, coverage is becoming more restrictive and many insurers are leaving California altogether (this is known as a “hard market” in technical insurance terms). The current insurance climate for California schools has become increasingly unfavorable as outlined below; all schools, both public and private are experiencing increases in their 2020-2021 insurance-related costs.

As a JPA, CharterSAFE is able to shift between group-purchasing and self-insuring claims. Simply put, that means that when insurance rates and terms are unfavorable, CharterSAFE is able to leverage its assets to protect our members from the full effects of the fickle for-profit insurance industry. **CharterSAFE has been able to negotiate significantly lower increases on your behalf than current industry trends in the direct insurance market.**

That said, while CharterSAFE was able to drastically shield our members from the 300+% increases we are seeing in the direct insurance market, members should still plan for a substantial increase in insurance costs in their 2020-2021 budget. More than ever, schools need to combine their efforts and resources to successfully protect their people and assets.

With that in mind, on May 20, 2020, the CharterSAFE Board of Directors voted to join Schools Excess Liability Fund (SELF). SELF is an excess liability JPA school risk pool created in 1986 in response to an insurance crisis like the one we face today. As one of the largest school pools in California, SELF covers more than 3 million students statewide for excess liability coverage. SELF’s program provides \$50M in per-occurrence excess insurance limits to member schools above an underlying \$5M in coverage. CharterSAFE’s membership in SELF means members will now be afforded \$55M of liability limits at the same cost that members would have to pay for less than \$25M available in the market if not participating in SELF. These generous limits will be provided at a time when other insurance programs are reducing limits and restricting coverage.

The key drivers for insurance costs, their effects on rates and coverage, and CharterSAFE’s strategy to minimize those impacts are outlined below. *Please review your renewal proposal for specific insurance costs to your organization:*

Cost driver	Description	Effect on 2020-2021 Rates	Effect on 2020-2021 Coverage	CharterSAFE Strategy
<b>Property Insurance Claims</b>	Cost and availability of comprehensive property coverage continues to be negatively impacted by multiple consecutive years of catastrophic property losses due to natural disasters. This has caused dramatic increases in premiums and many insurance companies have abandoned long-standing customers, with or without a history of claims. Wildfire threats in California continue to be a grave concern for insurers and water damage claims due to inadequate maintenance and faulty repairs continue to be a problematic and expensive cost driver for schools.	Property program rates will be increasing for the 2020-2021 coverage period.	<p>Terms will remain the same as they were in 2019-2020.</p> <p>Property limits are your individual school's scheduled total insured value, based on the replacement cost of your property, up to \$100M per occurrence in 2020-2021.</p> <p>This is a decrease from a maximum limit of \$150M in 2019-2020.</p> <p>Wildfire claims will be subject to increased deductibles for multiple losses.</p>	<p>Restructured cost-sharing with our insurance company partners.</p> <p>Incentivizing and supporting members to eliminate avoidable losses.</p>
Cost driver	Description	Effect on 2020-2021 Rates	Effect on 2020-2021 Coverage	CharterSAFE Strategy
<b>Employment Practices Liability (EPL) Claims</b>	As the number of employment claims related to workplace discrimination, wage and hour disputes, and wrongful termination have increased, the cost of these claims has also risen. Additionally, COVID-19 has disrupted the workplace in ways that could not have been anticipated. High unemployment, large scale lay-offs, and furloughs have historically and are expected to adversely impact employment-related claims.	Rates for EPL coverage were already increasing; uncertainty created by COVID-19 will likely accelerate those increases. EPL rate increases are reflected in overall liability program rates for the 2020-2021 coverage period.	<p>For the 2020-2021 coverage period, limits will increase to \$55M per occurrence for claims of wrongful termination, discrimination, and sexual harassment. All other employment-practices related claims will have limits of \$5M per occurrence.</p> <p>Members with high claims activity will be subject to higher deductibles.</p>	<p>Restructured cost-sharing with our insurance company partners.</p> <p>HR support, consultation, and training to continue to drive down claim occurrences.</p> <p>CharterSAFE's HR Certification Program provides charter school professionals with custom training to increase competency and reduce claims.</p>

Cost driver	Description	Effect on 2020-2021 Rates	Effect on 2020-2021 Coverage	CharterSAFE Strategy
<b>Sexual Abuse and Molestation (SAM) Claims</b>	Unfortunately, SAM claims and the cost of claims are on the rise nationally in all youth-serving organizations. California’s public schools have not been immune to this reality. Furthermore, on January 1, 2020, AB 218 went into effect extending the time limits in which survivors of childhood sexual assault, including abuse and molestation, can bring a civil claim against their perpetrator. If the assault or abuse was covered up, the victims may be entitled to up to triple the awarded damages. In addition to the psychological and reputational damage caused by these claims, California-based schools must deal with the effects of exponentially higher litigation, settlement, and award costs. As a result of these unexpected expenses, insurers are severely limiting or not offering SAM coverage in California.	SAM coverage is the most significant driver of rate increases for the 2020-2021 renewal. The increases are reflected in the overall rate increases for the liability program.	Based on current trends and the passage of AB 218, it is more vital than ever that schools are properly protected for SAM claims. This was a significant factor in the decision for CharterSAFE to join SELF (as described above).  Coverage limits will be increased from \$30M to \$55M and broad coverage terms for SAM will continue to be provided. This coverage is secured at a cost that would only purchase \$25M of coverage from the for-profit reinsurance marketplace.	CharterSAFE has developed superior resources and policies with the goal of promoting a zero-tolerance culture at all member schools.  Mandatory Sexual Abuse Training for all staff at member schools proactively mitigates exposure to SAM claims.  By joining SELF JPA CharterSAFE will provide members with limits of \$55M with no exclusion for SAM claims.
Cost driver	Description	Effect on 2020-2021 Rates	Effect on 2020-2021 Coverage	CharterSAFE Strategy
<b>COVID-19 Pandemic</b>	Like the pandemic itself, how insurance will ultimately respond to COVID-19 is unpredictable, Impacts to the insurance industry will likely be widespread as there is a potential for increased claims against multiple lines of insurance coverage.	N/A for 2020-2021. However, we expect rates for EPL and workers’ compensation to increase in 2021-2022 and are continually monitoring potential effects on rates in future years.	Exclusions for communicable diseases will become absolute for most coverage lines.  Workers’ compensation coverage for certain COVID-19 infections has been mandated by the Governor’s Executive Order.	Provide members with comprehensive webinars, resources, and consultations on the Governor’s Executive Order & Workers’ Compensation, Hiring/Firing Best Practices, Employee Leave Policies, and the Safe Re-opening of School Campuses and Workplaces.

## Summary of 2020-21 Specific Coverage Changes

- Under the Core Liability Program:
  - Higher limits of general liability coverage will be afforded to all members. As discussed above, by joining SELF, CharterSAFE's liability limits for the core liability program will be increased from \$30M to \$55M.
  - The Sexual Abuse Prevention Staff Training Mandate that was implemented for the 2019-2020 policy period will be revised. The mandate continues to require that staff at all member schools complete the training once every 2 years. In the 2020-2021 coverage period, members who fulfill the training requirement will maintain \$55M in coverage limits with no deductible. Members who fail to meet the requirement will also maintain \$55M in coverage limits, but each Sexual Abuse and Molestation (SAM) claim will be subject to a \$100K deductible. Proof of meeting the mandate has been revised to require members to prove that at least 90% of their employees have completed the training within 90 days of coverage renewal and a written promise that all new employees of the school will complete the training within 6 weeks of the start of their employment. Upon receiving proof of completion, CharterSAFE will endorse the member's policy certifying the member's deductible. New CharterSAFE members will have 90 days from the date of membership to meet the training requirement. This policy further strengthens CharterSAFE's commitment to keeping students safe and allows CharterSAFE to obtain and maintain broad coverage and appropriate limits to keep our members safe.
  - Employment Practices Liability (EPL) and Director's & Officers (D&O) claims will be subject to a tiered deductible schedule. Based on claims 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:

0 Prior Claims:	\$15,000 per occurrence
1 Prior Claim:	\$25,000 per occurrence
2 Prior Claims:	\$50,000 per occurrence
3 or more Prior Claims:	\$100,000 per occurrence
- Under the Property Program
  - The maximum limit per occurrence for property damage claims will be \$100,000,000 during the 2020-2021 coverage period. The per-occurrence limit was \$150,000,000 during the expiring coverage period.

- Damage resulting from wildfires will be subject to a tiered deductible schedule. Based on claims 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:
  - 0 Prior Claims: \$1,000 per occurrence
  - 1 Prior Claim: \$5,000 per occurrence
  - 2 Prior Claims: \$10,000 per occurrence
  - 3 or more Prior Claims: \$20,000 per occurrence
- Under All Coverages:
  - Claims resulting from certain high-risk activities are subject to a \$500 deductible for all lines of coverage and have been outlined in previous years' Memorandum of Coverage (MOC). Beginning with the 2020-2021 coverage period, fireworks, shooting ranges and underwater activities have been added to the list.
  - Claims from the use of trampolines, which are currently on the high-risk activities list will now be limited to \$5M in total coverage limits when the use is not in conjunction with an individualized education plan (IEP).
  - Communicable disease exclusions are being clarified, these exclusions currently exist in the CharterSAFE Memorandum of Coverage (MOC), but, based on COVID-19, the language has been amended to avoid any ambiguity.

## 2020-2021 Rates Summary

As a nonprofit risk pool, CharterSAFE is designed as a long-term solution that can weather difficult insurance market conditions. Unfortunately, in our current reality, the cost of coverage has increased exponentially, while the need for that coverage has never been greater. However, CharterSAFE's long-standing relationships with our insurance partners have effectively minimized the increases for our members, and we are well below the industry average rate of increase for this year which is commonly between 100%, and 300%!

The CharterSAFE Team and our broker-partner Gallagher Insurance and Risk Management have worked tirelessly and creatively to design a coverage program for the 2020-2021 program year that offers the most stable pricing possible and includes all coverage that is essential to protecting our member schools each and every day.

Expect the average 2020-2021 coverage renewal rate changes below for the CharterSAFE membership:

- Workers' compensation renewal rates, which make up approximately half of member contributions, are largely unchanged.
- The cost for property coverage is expected to increase approximately 25% due to disaster-related property damage including wildfires and hurricanes nationally and internationally as described above. Water damage claims due to faulty construction and inadequate maintenance and repairs continue to add to the cost increases.
- The largest increases will be to liability insurance rates which are expected to increase approximately 65% due primarily to employment practices claims, sexual abuse claims, and the passing of Assembly Bill 218, which lifts the statute of limitations for sexual abuse reporting with retroactive reporting provisions.

The average increase in total the cost of coverage for CharterSAFE members will be approximately 29%. Please review your renewal proposal for specific insurance costs to your organization.

As a member of CharterSAFE, you have access to no-cost resources to help mitigate your school's risk including human resources consulting, claims and risk management support, contract review, site inspections, robust online training, and a dedicated service team. Please continue to tap into these resources; **the safer each of our schools are, the lower our claims and insurance costs will be. It is a fruitful collective effort.** We are here to answer any questions you may have regarding your renewal. Thank you for your membership and partnership.

We look forward to serving you in the 2020-2021 year.

**The CharterSAFE Team**