



**Schools Program Alliance**

c/o Alliant Insurance Services  
Corporation Insurance License No. 0C36861  
2180 Harvard Street, Suite 460, Sacramento, CA 95815

**AGENDA**

- A Action**
- I Information**
- 1 Attached**
- 2 Hand Out**
- 3 Separate Cover**
- 4 Verbal**

**MEETING:** Board of Directors Annual Meeting  
Schools Program Alliance  
Teleconference Meeting

**DATE/TIME:** September 14, 2020 at 10:00 AM PDT

**LOCATION VIA TELECONFERENCE:** [\(404\) 397-1516](tel:4043971516) US Toll or [\(877\) 309-3457](tel:8773093457) US Toll Free  
Meeting number (access code): 171 692 4762

<i>PAGE</i>	<b>A. CALL TO ORDER, ROLL CALL, QUORUM</b>	<b>A</b>	<b>4</b>
	<b>B. APPROVAL OF AGENDA AS POSTED</b>	<b>A</b>	<b>4</b>
	<b>C. PUBLIC COMMENTS</b> <i>The public is invited at this point to address the Board of Directors on issues of interest to them.</i>	<b>I</b>	<b>4</b>
<i>Pg. 3</i>	<b>D. CONSENT CALENDAR</b> <i>The Board of Directors may take action on the items below as a group except a Board Member may request an item be withdrawn from the Consent Calendar for discussion and action.</i>	<b>A</b>	<b>1</b>
	1. Minutes of SPA Board Meeting August 3, 2020		
	<b>E. GENERAL ADMINISTRATION</b>		
<i>Pg. 9</i>	<b>1. Member Outreach Report</b> <i>Members will receive feedback regarding potential member outreach based on recent discussions with the Program Administrators.</i>	<b>I</b>	<b>1</b>
<i>Pg. 11</i>	<b>2. Property Appraisals</b> <i>Members will be asked to approve a proposal for site surveys of eighteen high schools and provide direction for requesting proposals for more appraisals.</i>	<b>A</b>	<b>1</b>
<i>Pg. 15</i>	<b>3. Human Resources Hotline</b> <i>Members will discuss options for a Human Resources Hotline and may provide direction for contracting for services.</i>	<b>A</b>	<b>1</b>
<i>Pg. 17</i>	<b>4. Flood Coverage</b> <i>Members will discuss the potential impacts on their own programs due to the addition of flood coverage in the SPA MOC and may provide direction.</i>	<b>A</b>	<b>1</b>

Pg. 18	<b>5. Rolling OCIP</b> <i>Members will receive information and may consider participation in a program for major capital improvement projects.</i>	A	1
Pg. 21	<b>6. Loss Control Services</b> <i>Members will discuss and may provide direction regarding additional loss control services they may recommend or wish to explore for group purchase.</i>	A	1
Pg. 22	<b>7. Wildfire Deductible Discussion</b> <i>The Board will receive and file a memo describing the application of the wildfire deductible in the event of a claim involving more than one member.</i>	A	1
Pg. 27	<b>8. Updated Claims Reporting Forms</b> <i>Revisions were made to the claims reporting forms based on Member feedback.</i>	I	1
Pg. 34	<b>9. “SILENT CYBER” – LMA5400</b> <i>The members will receive information as it relates to the LMA5400 Endorsement.</i>	I	1
	<b>F. INFORMATION ITEMS AND DISCUSSION</b> <i>This is an opportunity for a Board Member to discuss a topic of interest or seek guidance and input from the group about a current issue, risk management topic or exposure the Member is experiencing.</i>	I	4
	<b>G. ADJOURNMENT</b>	A	4

**IMPORTANT NOTICES AND DISCLAIMERS:**

*Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Michelle Minnick at Alliant Insurance at (916) 643-2715 twenty-four (24) hours in advance of the meeting.*

*The Agenda packet will be posted at each member’s site. Documents and material relating to an open session agenda item that are provided to the SPA members less than 72 hours prior to a regular meeting will be available for public inspection and copying at 2180 Harvard Street, Suite 460, Sacramento, CA 95815.*

*Access to some buildings and offices may require routine provisions of identification to building security. However, SPA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.*

Item No: D.

## **CONSENT CALENDAR ACTION ITEM**

**ISSUE:** Items on the Consent Calendar should be reviewed by the Board, and if any item requires clarification or amendment, such item(s) should be pulled from the agenda for separate discussion.

*Items pulled from the Consent Calendar will be placed back on the agenda in an order determined by the President.*

**RECOMMENDATION:** Adoption of the Consent Calendar after review by the Board.

**FISCAL IMPACT:** None

**BACKGROUND:** Items of importance that may not require discussion are included on the Consent Calendar for adoption.

### **ATTACHMENTS:**

1. Minutes of SPA Board Meeting August 3, 2020

## SCHOOLS PROGRAM ALLIANCE

### August 3, 2020 Teleconference Annual Meeting Minutes

#### Members Present:

Butte Schools Self-Funded Programs (BSSP)	Christy Patterson
North Bay Schools Insurance Authority (NBSIA)	Janet Selby
North Bay Schools Insurance Authority (NBSIA)	Brandon Schlenker
Redwood Empire Schools Insurance Group (RESIG)	Rose Burcina
Redwood Empire Schools Insurance Group (RESIG)	Steven Fields
Schools Insurance Authority (SIA)	Martin Brady
Schools Insurance Authority (SIA)	Debrah Sherrington
Schools Insurance Authority (SIA)	Brooks Rice
Schools Insurance Group (SIG)	Cindy Wilkerson
Schools Insurance Group (SIG)	Nancy Moiser

#### Consultants & Guests

Daniel Howell, Alliant Insurance Services	Dan Madej, Alliant Insurance Services
Michelle Minnick, Alliant Insurance Services	Seth Cole, Alliant Insurance Services
Marcus Beverly, Alliant Insurance Services	Chris Tambo, AmWins

#### **A. CALL TO ORDER, ROLL CALL, QUORUM**

Mr. Martin Brady called the meeting to order at 10:06 a.m. The above mentioned members were present constituting a quorum.

#### **B. APPROVAL OF AGENDA AS POSTED**

*A motion was made to approve the Agenda as posted.*

**MOTION:** Cindy Wilkerson      **SECOND:** Janet Selby      **MOTION CARRIED UNANIMOUSLY**

#### **C. PUBLIC COMMENT**

There were no public comments.

#### **D. CONSENT CALENDAR**

*A motion was made to accept the Consent items as presented.*

**MOTION:** Cindy Wilkerson      **SECOND:** Janet Selby      **MOTION CARRIED UNANIMOUSLY**

□

### **E. GENERAL ADMINISTRATION**

#### **E1. SPA Service Team**

Martin Brady reviewed the SPA Service Team diagram and noted the service team members that will be available to the SPA membership.

#### **E.2. Appointment of Chairperson/Secretary**

Dan Howell noted that the group has been asked to name Martin Brady given his role with the managing partner SIA.

□

*A motion was made to re-appoint Martin Brady as Chairperson/Secretary.*

**MOTION: Janet Selby**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

#### **E.3. Appoint Managing Member**

The group discussed generally this was needed to be addressed at the annual meeting to consider SIA as the as the managing member.

*A motion was made to appoint SIA as the managing member.*

**MOTION: Rose Burcina**

**SECOND: Cindy Wilkerson**

**MOTION CARRIED  
UNANIMOUSLY**

#### **E.4. Conflict of Interest Code**

Marcus Beverly noted that the attorney has recommended to a Conflict of Interest Code and additionally will need to file the Assuming Form 700 as it relates to the SPA group with the FPPC. After a general discussion it was generally agreed to accept the Conflict of Interest code as presented.

*A motion was made to accept the Conflict of Interest Code as presented.*

**MOTION: Cindy Wilkerson**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

#### **E.5. Approval of Property Program and APD Cost Allocations for PY 20/21**

□

Dan Madej noted that the cost allocation was included in the agenda for the Board's review and consideration. It was noted from previous discussions that members wanted to stay at 100% of retained losses and has been presented again per direction of the Board.

□

*A motion was made to accept the cost allocation as presented.*

**MOTION: Janet Selby**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

### E.6. Strategic and Operational Plans

Dan Howell noted that as part of the annual meeting members should be provided an opportunity to discuss an operational plan for services and items of interest for the future. He provided an overview of the items that the Board will be reviewing in the coming months as we determine roles and responsibilities of all participants. He noted the Loss Prevention Services proposal from AIG was included for the Board's consideration and offered additional solutions. After a discussion it was generally agreed that a vendor performed Property Appraisals would occur for one member each year starting with BSSP (then the remaining BASIC members) followed by SIG, and finally SIA while all other members' values will be trended.

Members generally agreed there are opportunities to leverage purchasing power due to the size of the group, as well as the common services currently being used. Direction was provided to the Program Administration to bring back items for the Board's review regarding Loss Prevention Services, Appraisals, and New Member Marketing. It was also requested that the Program Administration look into the Human Resource Hotline currently being used by several members and place on the agenda for the September meeting.

*A motion was made to move in the direction that was discussed.*

**MOTION: Cindy Wilkerson**

**SECOND: Janet Selby**

**MOTION CARRIED  
UNANIMOUSLY**

### E.7. Claims Reporting Procedures

It was mentioned that previously the process for reporting Property Claims was shared but now includes Equipment Breakdown and Terrorism and Active Assailant instructions as well. After a discussion it was requested that the reporting threshold for the property and Equipment Breakdown portions (1/2 the retention requires reporting) be listed on the reporting instructions.

*A motion was made to approve as presented with the modifications noted above.*

**MOTION: Cindy Wilkerson  
Rose Burcina – Abstain**

**SECOND: Janet Selby**

**MOTION CARRIED**

### E.8. SPA Memorandum of Coverage

Dan Madej and Chris Tambo noted that this is the policy document which will be reinsured by the carriers. It was noted that property carriers are shying away from providing coverage resulting from malicious cyber-attacks that cause physical damage to buildings and it was highlighted that this policy contains a Property Cyber and Data Endorsement (LMA5400).

*A motion was made to accept the MOC as presented.*

**MOTION: Christy Patterson**

**SECOND: Cindy Wilkerson**

**MOTION CARRIED  
UNANIMOUSLY**

## **E.9. Certificates of Insurance**

Dan Madej reviewed the survey results as it relates to issuing certificates of insurance. After a discussion it was generally agreed that SPA should create a standardized process and suggested that a sample be created for FY 21/22 to be presented approximately six months prior to renewal to ensure the process is finalized in anticipation of launching for the next fiscal year.

*A motion was made to approve members using their current process and we will revisit the process for requesting certificates at the beginning of 2021.*

**MOTION: Cindy Wilkerson**

**SECOND: Rose Burcina**

**MOTION CARRIED  
UNANIMOUSLY**

## **E.10. Banking and Funding of Retained Layer**

Dan Howell noted that an invoice will go out for the Banking and Funding layer and will include the administrative costs of SPA and SIA is poised to collect the funds.

*A motion was made to approve the funding of the banking and shared layer as described.*

**MOTION: Rose Burcina**

**SECOND: Janet Selby**

**MOTION CARRIED  
UNANIMOUSLY**

## **E.11. Loss Control Services**

Dan Howell noted there is a budgeted amount for Loss Control Services and there are a couple approaches the group can take. AIG has presented a Proposal for appraisals of 18 high schools over the next three years. Members discussed some of the options presented and the Program Administration was provided with direction to continue discussions to determine services that are needed by each member and how the group can help to pool resources in order to provide enhanced loss prevention services relating to property.

## **E.12. Adoption of SPA Meeting Schedule**

Dan Howell noted the group will need to set meeting dates for the upcoming meetings. It was suggested that the group meet on the second Monday of the upcoming months: September, October, November, January, March, May, June.

*A motion was made to approve meeting dates reserved for the 2<sup>nd</sup> Monday of the month to start at 10:00 am for the following months: September, October, November, January, March, May, June.*

**MOTION: Cindy Wilkerson**

**SECOND: Janet Selby**

**MOTION CARRIED  
UNANIMOUSLY**

### **E.13. Wildfire Deductible Allocation/ Property Program**

Dan Howell noted that we reduced the amount of London participation in the primary layer down to which helped to bring down the cost and help us with the lower deductible. It was discussed the different scenarios in the event more than one member has a wildfire and members reviewed the concept of a wildfire deductible allocation. It was asked that this item be brought back at the next meeting to review.

### **F. CLOSED SESSION**

There were no Closed Session items

### **G. INFORMATION ITEMS AND DISCUSSION**

There was no discussion.

### **H. ADJOURNMENT**

*A motion was made to adjourn the meeting.*

**MOTION: Rose Burcina**

**SECOND: Christy Patterson**

**MOTION CARRIED  
UNANIMOUSLY**

The meeting was adjourned at 12:22 P.M.

**NEXT MEETING DATE: Monday September 14, 2020 10 A.M.**

Respectfully Submitted,

\_\_\_\_\_  
Martin Brady, Secretary

\_\_\_\_\_  
Date



Item No: E.1.

## **MEMBER OUTREACH REPORT INFORMATION ITEM**

**ISSUE:** Based on the Strategic and Operational Strategy presented at the August 3<sup>rd</sup> SPA Annual Meeting, SPA will need to target membership growth efforts and opportunities.

**RECOMMENDATION:** To discuss new membership efforts and timing, leading to a scheduled and managed approach to prospecting for new members for SPA.

**FISCAL IMPACT:** None for the Coverage Year 7/1/20-21.

**BACKGROUND:** Conceptually, SPA was formed as a partnership JPA in the hopes of creating a new, long term solution for school pools in CA. Part of the genesis of this need has been the on-going poor market conditions for school pools in CA. The idea was to combine like-minded JPAs in an effort to secure better coverage purchase outcomes (group purchase vs individual purchase), as well as better service purchase outcomes for shared services desired (loss control, appraisals). While SPA has been launched in a meaningful way, with current membership comprising \$15B in TIV, the right type of growth will be important in increasing SPA's impact in the marketplace and in service of its purpose. This includes adding the right type of membership, increasing our size and clout in the marketplace, as well as increasing the size and scope of the shared services for membership.

**ATTACHMENTS:** Draft Memo



## Schools Program Alliance

*c/o Alliant Insurance Services*

*Corporation Insurance License No. 0C36861*

*2180 Harvard Street, Suite 460, Sacramento, CA 95815*

To: SPA Membership  
From: Dan Madej  
CC: Daniel Howell, Michelle Minnick, Marcus Beverly  
Date: August 31, 2020  
Re: New Membership Initiative

---

SPA Members:

As of August 31<sup>st</sup>, Alliant has had conversations with 4 of the 5 SPA Members on the topic of New Membership. These conversations follow the multi-faceted Strategic and Operational Plan discussed at the August 3<sup>rd</sup> SPA Annual Meeting, of which New Membership was one component. This memo will summarize the initial feedback obtained from the New Membership discussions. Further and more detailed discussions are envisioned on a go-forward basis.

Conceptually, SPA was formed as a partnership JPA in the hopes of creating a new, long term solution for school pools in CA. Part of the genesis of this need has been the on-going poor market conditions for school pools in CA. The idea was to combine like-minded JPAs in an effort to secure better coverage purchase outcomes (group purchase vs individual purchase), as well as better service purchase outcomes for shared services desired (loss control, appraisals). While SPA has been launched in a meaningful way, with current membership comprising \$15B in TIV, the right type of growth will be important in increasing SPA's impact in the marketplace and in service of its purpose. This includes adding the right type of membership, increasing our size and clout in the marketplace, as well as increasing the size and scope of the shared services for membership.

From a conceptual standpoint, the following criteria or comments were offered, regarding how/what New Membership should be pursued:

- JPAs we can have relationships with (i.e., that will work well together with the group, as the current group does)
- JPAs we can help, either via coverage or services (loss control)
- JPAs that diversify our risk profile to the market, to benefit the insurance/reinsurance outcomes

From a JPA specific standpoint, the following ideas were shared:

1. San Mateo
2. Tri-County Schools (TSIG)
3. Golden State Risk Management
4. CRSIG
5. SISC
6. Tuolumne JPA
7. Contra Costa
8. San Bernardino
9. Shasta County

The above represents only the initial discussions conducted, at this point. This initiative, obviously, will be on-going as SPA's efforts mature over time. Efforts to target and pursue potential new members will, also, need to be a joint approach between SPA Members and the SPA Program Administrator.

Item No: E.2.

## **PROPERTY APPRAISALS ACTION ITEM**

**ISSUE:** Members have agreed to fund appraisals of their properties through SPA and previously discussed the criteria for completing the task, these include:

- **Timing:** update with member appraisal every five years, beginning this year.
- **Order,** based on when last appraisals conducted: Butte, RESIG, North Bay, SIG, SIA.
- **Priority:** based on building value and feedback from underwriters and appraisal firms. Feedback from both regarding priority and methodology is recommended to compare options and cost to complete the process.

Members were also in agreement to accept the attached proposal from AIG to conduct site surveys of eighteen high schools over a three-year period for a total of \$24,000.

The SPA SOV has 354 Buildings valued over \$5M, and the AIG survey will include 50 of them, leaving 304 to be appraised through site surveys. The SOV contains 3,517 locations between \$1M and \$5M, and many of them are wood frame modular buildings that may be appraised through a desk audit or other techniques. Most of the locations under \$1M are classrooms, with many portables and other common structures that could be evaluated through a desk audit, though some more sensitive or unique properties could be included in the on-site visit based on underwriter or appraiser feedback or member need.

**RECOMMENDATION:** Approve the AIG proposal and provide direction for obtaining proposals from qualified appraisal firms based on the criteria discussed.

**FISCAL IMPACT:** \$24,000 for the AIG proposal. Remaining appraisals TBD. SPA has budgeted \$200,000 for appraisals this fiscal year.

**BACKGROUND:** Members have agreed to contract for property appraisals through SPA.

**ATTACHMENTS:** AIG Client Service Plan – site surveys of eighteen for high schools



# Client Service Plan

Schools Program Alliance



## Overview

This Client Service Plan (CSP) is focused on a limited number of objectives designed to meet specific mutual goals. For additional information on other services and solutions available through AIG visit: <http://www.aig.com/landing-pages/client-risk-solutions>

## Scope of Work

Janneth Velazquez is your Account Engineer, and is your primary point of contact and will be responsible for developing and executing your customized service plan.

Below are proposed objectives and action items for consideration. Once your CSP is agreed upon, Janneth Velazquez will ensure it is regularly reviewed and adjusted to accommodate changes as necessary.

**Objective:**

Evaluate, quantify and prioritize Schools Program Alliance risk exposures.

Action Items	Responsible Party	Target Completion Date	Comments
<ul style="list-style-type: none"> <li># Property Surveys</li> </ul>	Account Risk Engineer (ARE)	<i>Target for this activity should be 4-months before renewal date</i>	The loss control surveys are a comprehensive review of your property and the associated risks, including fire protection, construction and emergency response along with any natural catastrophe and other special hazards. Please refer to Appendix document Property Engineering Service List for list of service sites and the Special Servicing & Distribution Instructions for agreed to details on servicing and reporting details.

<ul style="list-style-type: none"> <li>Perform all state mandated jurisdiction object certifications</li> </ul>	ARE	Target will depend on object due date	Servicing will be performed by our strategic partner s OneCIS/Arise. Any issue or questions should be directed to the ARE.
-----------------------------------------------------------------------------------------------------------------	-----	---------------------------------------	----------------------------------------------------------------------------------------------------------------------------

## Fees and Expenses

The fee for the services as outlined in the Scope of Work is \$24,000, which is inclusive of all travel costs, expenses, taxes and Account Risk Engineering time to manage the needs and requirements of this engineering program.

Additional services requested beyond the defined Scope of Work must be agreed prior to the commencement of these services.

## Primary Contact for AIG Program

AIG Account Risk Engineer: Janneth Velazquez-Cano  
 T:951-288-7850  
 Janneth.VelazquezRosales@aig.com

AIG Underwriter: Cody Elliott  
 T: 213-689-3547  
 Cody.Elliott@aig.com

Broker Consultant / Engineer:  
 T:

We take our commitment to excellence very seriously. Client Risk Solutions is dedicated to responding to our customers by soliciting their feedback. Please provide comments to your CRS Lead or directly to [CRS@aig.com](mailto:CRS@aig.com)

## Appendices

**Property Engineering Service List** – Frequency of site surveys will be reviewed based on risk quality and servicing benefit.

Location Name	2020-2021	2021-2022	2022-2023
American Canyon High School (\$86M)	X		
Santa Rosa High School (\$76M)	X		
Antelope High School (\$71M)	X		
Armijo High School (\$69M)	X		
Rancho Cotate High School (\$92M)	X		
C.K. McClatchy High School (\$54M)	X		
Casa Grande High School (\$52M)		X	
Cordova High School (\$66M)		X	
Cosumnes Oaks High School (\$63M)		X	

Folsom High School (\$74M)		X	
Hiram W. Johnson High School (\$66.8M)		X	
Inderkum High School (\$70M)		X	
John F. Kennedy High School (\$70M)			X
Laguna Creek High School (\$45M)			X
Luther Burbank High School (\$70M)			X
Bella Vista High School (\$42M)			X
Rosemont High School (\$83M)			X
Analy High School (\$52M)			X

The information, suggestions and recommendations contained herein are for general informational purposes only. This information has been compiled from sources believed to be reliable. Risk Consulting Services do not address every possible loss potential, law, rule, regulation, practice or procedure. No warranty, guarantee, or representation, either expressed or implied, is made as to the correctness or sufficiency of any such service. Reliance upon, or compliance with, any report in no way guarantees any result, including without limitation the fulfillment of your obligations under your insurance policy or as may otherwise be required by any laws, rules or regulations. No responsibility is assumed for the discovery and/or elimination of any hazards that could cause accidents, injury or damage. The information contained herein should not be construed as financial, accounting, tax or legal advice and does not create an attorney-client relationship.

American International Group, Inc. (AIG) is a leading global insurance organization. Founded in 1919, today AIG member companies provide a wide range of property casualty insurance, life insurance, retirement products, and other financial services to customers in more than 80 countries and jurisdictions. These diverse offerings include products and services that help businesses and individuals protect their assets, manage risks and provide for retirement security. AIG common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

Additional information about AIG can be found at [www.aig.com](http://www.aig.com) and [www.aig.com/strategyupdate](http://www.aig.com/strategyupdate) | YouTube: [www.youtube.com/aig](http://www.youtube.com/aig) | Twitter: @AIGinsurance | LinkedIn: [www.linkedin.com/company/aig](http://www.linkedin.com/company/aig). These references with additional information about AIG have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this press release.

AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc. For additional information, please visit our website at [www.aig.com](http://www.aig.com). All products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Products or services may not be available in all countries, and coverage is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Certain property-casualty coverages may be provided by a surplus lines insurer. Surplus lines insurers do not generally participate in state guaranty funds, and insureds are therefore not protected by such funds.

Item No: E.3.

## **HUMAN RESOURCES HOTLINE ACTION ITEM**

**ISSUE:** Members have suggested contracting through SPA for legal advice for personnel issues, including a hotline for regular access to an attorney. Three members, SIG, North Bay, and RESIG, currently use Patricia Eyres and Associates and would recommend her for a group contract. However, there is some question about whether she can manage the additional workload given she also provides this service to PRISM members (see attached) and how much longer she will maintain her practice.

Members are asked to discuss options and provide direction regarding this service, including:

- Combine the three current Eyres contracts into one for all five SPA members
- Maintain three current contracts and look for new provider(s) for Butte and SIA.
- Transition to new provider after establishing successful relationship with member(s)
- Contract with new provider for all five members

**RECOMMENDATION:** Provide direction regarding contracting for HR hotline services.

**FISCAL IMPACT:** TBD. Group purchase may save members over individual contract rate.

**BACKGROUND:** Members have discussed a number of services that may be good candidates for group purchase contracts through SPA, including HR Hotline services to reduce the frequency and severity of Employment Practices Liability claims.

**ATTACHMENTS:** Eyres Law Group Services for PRISM Members



# LABOR LAW/ EMPLOYMENT PRACTICES SERVICES

*PRISM partners with the industry's best to provide services that are second to none.*

PRISM members have unlimited access to Labor Law/ Employment Practices Consultation and Services through the Eyres Law Group (ELG)\*.

\* These services are intended to support, not replace, your existing legal personnel and is separate from PRISM's Legal Advice Services.

## Services Include

- Step-by-Step Coaching & Advice - Regarding issues including return-to-work, harassment, modified duty and reasonable accommodations, and leaves of absence.
- Employment Practice Resources - Helpful resources to assist with conducting/documenting the Interactive Process and managing multiple leaves of absence.
- Monthly Webcasts & Newsletters - Focused on timely issues affecting California public agencies, specific to the Workers' Compensation and Employment Liability arenas.

**EYRES**  
ELG LAW GROUP, LLP

To get started, please contact:  
Patricia "Patti" Eyres, Managing Partner  
[peyres@eyreslaw.com](mailto:peyres@eyreslaw.com) | 602.448.4051



### Coordination with Your Counsel

ELG will communicate, as necessary, with your legal departments to assist with seamless implementation.



### Unlimited Access

Access ELG consultation services as often or as little as your agency needs. [Request an intake form](#) today to get started.



### Value Added Benefit

Access this service at no extra cost as a value-added benefit of your membership with the PRISM.

## Quick Start Steps

1. To begin using the service, complete a '[Contact Information Form](#)', which will help assure that attorney-client privilege is maintained.
2. On the form, you will be asked to designate a primary and secondary contact authorized to communicate directly with ELG. (Note: additional individuals within your agency will need to initially work through the designated contacts.)
3. Return the completed form directly to Patti Eyres, at [peyres@eyreslaw.com](mailto:peyres@eyreslaw.com).
4. Each participating entity will receive and sign a separate 'Engagement Letter', which will help assure that attorney-client privilege is protected.
5. You may submit a general question, provide some specific information on your individual matter, or simply request a return call. You may also call Patti Eyres directly at 602.448.4051.



Item No: E.4.

## **FLOOD COVERAGE ACTION ITEM**

**ISSUE:** The flood coverage included in the SPA Property MOC effective 7/1/20 may have impacts for individual SPA Members and their property programs. These include possible overlaps with stand-alone policies, potential uncertainty as to the extent of the underlying MOC coverage, and possible gaps in servicing flooding claims.

**RECOMMENDATION:** Review and provide feedback or direction as needed regarding questions or concerns over the impact flood coverage within the SPA Property MOC may have on the underlying Members' coverages .

**FISCAL IMPACT:** None at this time.

**BACKGROUND:** Following the placement of the SPA Property coverage effective 7/1/20, some Members have expressed concern regarding the potential impact of the SPA flood coverage on their own programs. Most SPA Members did not have flood coverage in their expiring insurance contracts, so it was not in their underlying MOCs, either. Concern has been raised regarding the potential additional obligation(s) placed on SPA Members, individually, for this coverage (retention, claims handling, etc.) vs the actual need of the SPA Member's membership. Additional concern has been raised regarding SPA Members own membership who purchase this type of coverage separately currently. How would this SPA flood coverage interact with these in-force, standalone policies?

**ATTACHMENTS:** None.

Item No: E.5.

## **ROLLING OWNER CONTROLLED INSURANCE PROGRAM FOR MAJOR CAPITAL PROJECTS ACTION ITEM**

**ISSUE:** SPA is interested in maximizing the benefit of its joint contracting capabilities for the members. One area that could offer cost savings and coverage improvements is utilization of a “Rolling Owner Controlled Insurance Program” (ROCIP) for major capital improvement projects. Normally an OCIP is not feasible for owners (i.e. school districts) that don’t have very large ongoing capital programs exceeding at least \$100 million annual expenditure. By combining multiple projects across the SPA membership, there is certainly the basis for a successful program. SPA could develop its own program or partner with an existing one such as the one offered by PRISM (formerly called CSAC EIA).

**RECOMMENDATION:** Discuss the potential for developing a SPA sponsored ROCIP.

**FISCAL IMPACT:** None. If a program is developed, it will be supported by the contributions from participating members and their project funds.

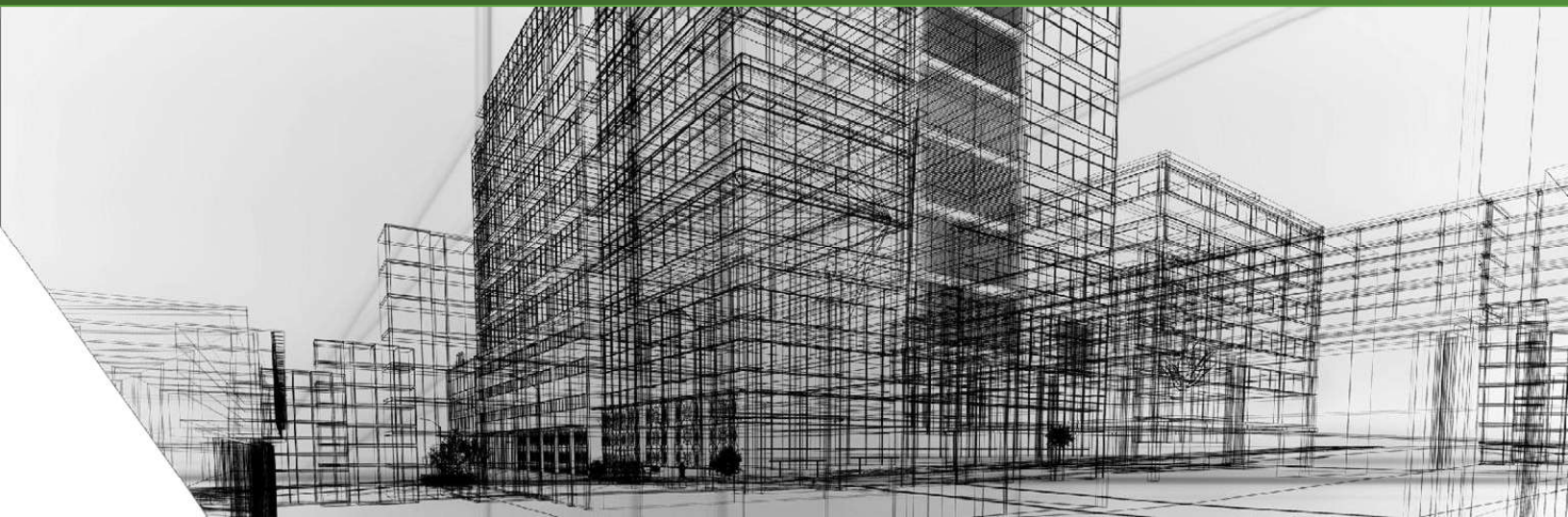
**BACKGROUND:** Owner controlled insurance programs began in the late 1960s for massive infrastructure projects such as the Bay Area Rapid Transit District. Owners and contractors saw the benefit of combining major projects into single cohesive insurance placements. Part of the benefit comes from having comprehensive coverage that is controlled by the buyer. Additionally, most OCIP’s generate cost savings in the range of 1% to 1 ½% of constructed value. In recent years, the OCIP products have been designed to include a maximum cost so that the owner is assured its maximum out-of-pocket expense.

As the benefits became more apparent, the controlled insurance program concept has expanded to a rolling structure that allows owners to enroll multiple smaller projects. For example, and on the extreme, Los Angeles Unified School District utilizes a rolling OCIP for all capital projects of any size. LAUSD believes the rolling OCIP also provides the benefit of allowing smaller, local and minority owned contractors to participate without having to meet onerous insurance requirements.

**ATTACHMENTS:** PRISM Master Rolling OCIP (MR OCIP) Brochure.

# PRISM MASTER ROLLING OCIP (MR OCIP)

Insurance for the benefit of your project



PRISM's Master Rolling Owner Controlled Insurance Program (MR OCIP) provides turnkey access to the benefits and affordability of traditional OCIPs once only available for large-scale construction projects. This exclusive program is available to all California public entities with projects as low as \$20 million in construction value.

# MASTER ROLLING OCIP (MR OCIP)

Long available for large-scale projects, the vast benefits and affordability of owner-controlled insurance programs (OCIPs) are now accessible to public entities with projects of all sizes through MR OCIP.

## WHAT IS AN OCIP?

An OCIP is a centralized insurance program designed to provide protection for owners and contractors of all tiers with certain insurance coverage while they are on the project site. The recognized benefits of an OCIP over the traditional approach to construction insurance include greater risk control and improved insurance coverage for all involved parties.

## MR OCIP EXPLAINED

PRISM's MR OCIP uses an innovative "pooled" approach to extend the benefits of OCIPs to single projects as low as \$20 million as well as a more traditional "standalone" approach that allows entities with individual or aggregated projects totaling \$100 million or more to benefit from MR OCIP's pre-negotiated, below-market rates.

## THE BENEFITS

MR OCIP provides access to a vast array of benefits over a traditional insurance program, including:

- Lower cost
  - Savings of 15% to 30% over market rates
  - Savings of 1% to 1.5% of construction values
- Elimination of redundant insurance costs and mark-ups
- Higher limits of insurance (\$25 million to \$200+ million)

- Minimized cross-litigation/subrogation
- Larger, qualified contractor pool
- Enhanced small business enterprise initiatives
- Flexibility in premium financing
- 10 years completed operations coverage
- Solves indemnity issues of SB 474 for general contractors
- Access to loss control, claims oversight, and risk management resources
- Streamlined, turnkey implementation process
- Reduced administrative burden
- Pollution and OPPI coverages are also available

## STREAMLINED ADMINISTRATION

MR OCIP is designed to alleviate the administrative burden associated with the insurance process. Central to this concept is Alliant WrapX, a web-based, automated administration system that adds efficiency and transparency to the program so clients can stay focused on delivering a successful project.

WrapX provides the following core features:

- For owners:
- Program monitoring
  - Document access
  - Automated notifications
  - Automated reports
  - Ad hoc reports

## THE POWER OF PRISM

The key to this program's innovation and flexibility lies with PRISM, the nation's largest joint powers authority (JPA).

Founded in **1979**  Approximately **323** Members



**1,900**

Public Entities Covered  
Account for:

**95%** ALL CALIFORNIA COUNTIES

**60%** ALL CALIFORNIA CITIES

All California public entities are eligible for membership with PRISM and access to its programs, including MR OCIP.

## CONTACT

Shawn Kraatz  
First Vice President  
949 660 8117  
Shawn.Kraatz@alliant.com

Item No: E.6.

## **LOSS CONTROL ACTION ITEM**

**ISSUE:** Ongoing strategic discussions regarding SPA's loss control structure and offerings have resulted in a focus on appraisals and possible HR services. Additional feedback has been focused on providing property-related services that are beyond the scope of any Member's own resources, with the possibility of members sharing some of their internal resources with others.

Most of those discussions have centered on high-tech inspections of boiler and machinery as well as wildfire prevention and mitigation services, including pre and post wildfire loss control. Some services used by members in the past include <https://firestormfire.com/>, though there are others. In addition to firefighting services and equipment, a sample of Firestorm's Services includes:

### **LOSS PREVENTION SERVICES**

- On-site Risk Consultation and Inspection
- Hazard Assessment Reporting
- Education
- Location-specific risk information
- Property inspection management
- Survey services

### **WILDFIRE / DISASTER SERVICES**

- Pre-suppression
- Threat Notification
- Incident Command Coordination
- Policyholder Assistance
- Disaster Monitoring & Notification

**RECOMMENDATION:** Review and discuss current services and provide direction for additional loss control services.

**FISCAL IMPACT:** None at this time from budget of \$150,000.

**BACKGROUND:** Discussions have been on-going regarding formulating a strategy and plan around the loss control services, one of the key shared services that has been pre-funded for Coverage Year 7/1/20-21. In particular, the conceptual question includes: what loss control role and service SPA should consider offering and how. As an initial step, it is important to understand each SPA Member's current level of loss control services.

**ATTACHMENTS:** None

Item No: E.7.

## WILDFIRE DEDUCTIBLE DISCUSSION ACTION ITEM

**ISSUE:** Member wildfire deductibles vary, from \$2,500,000 each for Butte and RESIG, to \$250,000 for North Bay, with SIA and SIG in-between at \$1,150,000 each. The reason for the differences lies in their relative exposures to the underwriters, as reflected in the table below:

<b>Wildfire Deductibles</b>			
	Domestic Placement*	London Placement**	Blended***
Butte	\$2,500,000	\$2,500,000	\$2,500,000
North Bay	\$250,000	\$250,000	\$250,000
RESIG	\$2,500,000	\$2,500,000	\$2,500,000
SIA	\$250,000	\$2,500,000	\$1,150,000
SIG	\$250,000	\$2,500,000	\$1,150,000
* 60% of placement			
** 40% of placement			
*** (60% of Domestic) + (40% of London)			

Because of the different underwriting perspectives and participation, in the event a wildfire impacts more than one member the deductible will depend on which members are involved. The underwriters have provided a tool to test and visualize different loss scenarios that can be used in the event of a combined member claim.

The Program Administrators previously provided members the attached memo describing the deductible in more detail and are prepared to answer any questions about it.

**RECOMMENDATION:** Receive and file attached memo explaining the deductible.

**FISCAL IMPACT:** None.

**BACKGROUND:** Wildfire coverage in CA for both property and liability exposures is increasingly expensive and limited. Given prior losses and the exposure to future wildfires SPA members find themselves in that very difficult market but have been able to obtain the coverage on group terms that are more favorable than they likely could obtain on their own.

**ATTACHMENTS:** SPA Wildfire Deductible Memo of Understanding



# memo

## Company name

To: George Maggay  
From: Dan Madej  
CC: Dan Howell  
Date: 8/20/20  
Re: SPA Wildfire deductible and interactive tool

---

George

We appreciate your time on the call on 8/12/20 to review the wildfire deductible interactive tool provided by BMS, in relation to my comments and questions in my email dated 8/6/20.

The purpose of this memo is to capture our agreement regarding the understanding of how the wildfire deductibles would work, both for individual SPA Member loss scenarios, as well as for multi-SPA Member/single loss scenarios.

The primary layer placement for SPA is comprised of a domestic component (60% placed) and a London component (40% placed). The differing element of the two placements is the wildfire deductible, as they are not identical. The required deductibles for each placement by SPA Member, as well as the blended deductible, are shown in the chart below.

<b>Wildfire Deductibles</b>			
	Domestic Placement*	London Placement**	Blended***
Butte	\$2,500,000	\$2,500,000	\$2,500,000
North Bay	\$250,000	\$250,000	\$250,000
RESIG	\$2,500,000	\$2,500,000	\$2,500,000
SIA	\$250,000	\$2,500,000	\$1,150,000
SIG	\$250,000	\$2,500,000	\$1,150,000
* 60% of placement			
** 40% of placement			
*** (60% of Domestic) + (40% of London)			

As depicted in the chart, to determine the final deductible which would apply, we have to take 60% of the domestic placement’s deductible and 40% of the London placement’s deductible. This results in a single SPA Member maximum wildfire deductible shown in the “Blended” column in the chart.

For multi-SPA Member/single occurrences for wildfire, the language that governs this topic comes from the SPA MOC and is as follows:

“In the event that either Butte and/or RESIG and another members/other members are affected by the same Wildfire occurrence, both deductibles will apply to their respective loss.”

This is depicted in the chart below:

<b>Wildfire Deductibles - Multi-Member loss</b>	
This combination of deductibles would apply*	
<u>Domestic Placement</u>	<u>London Placement</u>
2,500,000 for Butte/RESIG and 250,000 for all other	250,000 for North Bay and 2,500,000 for all other
* The deductible "mix" depends on which SPA members are involved in an occurrence together	

For sake of thoroughness, it was clarified that the following SPA MOC language does not apply to wildfire losses:

If two or more deductible amounts provided in the Declaration Page apply for a single occurrence the total to be deducted shall not exceed the largest per occurrence deductible amount applicable.”

BMS provided the interactive tool on July 14<sup>th</sup> in order to test and visualize different loss scenarios and the impact to the applicable final deductibles required. It was determined in our 8/12/20 call that the scenario tool was correct.

The key scenarios we ran are shown in **Exhibit A – Scenarios** below. These scenarios were selected as they give a wide range of possible loss occurrences. The results of those scenarios were automatically generated by the BMS tool.

The understanding of the language above, and as supported by the scenario tool, is that in a multi-SPA Member/single occurrence wildfire scenario, the range of maximum deductibles required has a minimum of \$1,250,000 (Scenario E) and a maximum of \$2,750,000 (Scenarios B and F). The outcome of the required wildfire deductible is dependent on which SPA Members are involved together in a loss, as the deductibles vary by member as depicted in the earlier chart.



We will share this memo with SPA Members as a written piece on understanding the wildfire deductible, especially interactions for multi-member/single loss occurrences. The question involving multi-member/single occurrence for wildfire is that SPA must address how to allocate the final deductible between those members involved, as the maximum multi-member deductible does not always equal the sum of the maximum individual wildfire deductibles for those involved (as depicted in all scenarios below, expect Scenario B).

Finally, while we will be working with you to clean-up some of the language in the SPA MOC, those changes are not anticipated to impact this topic, as presented here.

**Exhibit A - Scenarios**

<b>Location</b>	<b>Scenario A Butte and RESIG</b>			<b>Scenario B RESIG and North Bay</b>		
	Size of Loss	London Deduct.	US Deduct.	Size of Loss	London Deduct.	US Deduct.
Butte	5,000,000	2,500,000	2,500,000	-	-	-
NorthBay	-	-	-	5,000,000	250,000	250,000
Redwood	5,000,000	2,500,000	2,500,000	5,000,000	2,500,000	2,500,000
SIA	-	-	-	-	-	-
SIG	-	-	-	-	-	-
<b>Deductible</b>		2,500,000	2,500,000		2,750,000	2,750,000
		2,500,000	2,500,000		2,500,000	2,500,000
		-	-		250,000	250,000
<b>Total Loss:</b>	10,000,000			10,000,000		
<b>Total Deductible:</b>	2,500,000			2,750,000		
<b>Total Pay-out:</b>	7,500,000			7,250,000		
<b>Location</b>	<b>Scenario C RESIG and SIA</b>			<b>Scenario D SIA and SIG</b>		
	Size of Loss	London Deduct.	US Deduct.	Size of Loss	London Deduct.	US Deduct.
Butte	-	-	-	-	-	-
NorthBay	-	-	-	-	-	-
Redwood	5,000,000	2,500,000	2,500,000	-	-	-
SIA	5,000,000	2,500,000	250,000	5,000,000	2,500,000	250,000
SIG	-	-	-	5,000,000	2,500,000	250,000
<b>Deductible</b>		2,500,000	2,750,000		2,500,000	250,000
		2,500,000	2,500,000		2,500,000	-
		-	250,000		-	250,000
<b>Total Loss:</b>	10,000,000			10,000,000		
<b>Total Deductible:</b>	2,650,000			1,150,000		
<b>Total Pay-out:</b>	7,350,000			8,850,000		
<b>Location</b>	<b>Scenario E SIG and North Bay</b>			<b>Scenario F Everyone</b>		
	Size of Loss	London Deduct.	US Deduct.	Size of Loss	London Deduct.	US Deduct.
Butte	-	-	-	3,000,000	2,500,000	2,500,000
NorthBay	5,000,000	250,000	250,000	3,000,000	250,000	250,000
Redwood	-	-	-	3,000,000	2,500,000	2,500,000
SIA	-	-	-	3,000,000	2,500,000	250,000
SIG	5,000,000	2,500,000	250,000	3,000,000	2,500,000	250,000
<b>Deductible</b>		2,750,000	250,000		2,750,000	2,750,000
		2,500,000	-		2,500,000	2,500,000
		250,000	250,000		250,000	250,000
<b>Total Loss:</b>	10,000,000			15,000,000		
<b>Total Deductible:</b>	1,250,000			2,750,000		
<b>Total Pay-out:</b>	8,750,000			12,250,000		

Item No: E.8.

## **CLAIMS REPORTING FORM UPDATE INFORMATION ITEM**

**ISSUE:** SPA Members have requested updated claim reporting forms. The attached were updated per suggestions from members at the last meeting, outlined below, and emailed to members on August 31, 2020.

**RECOMMENDATION:** None – information only.

**FISCAL IMPACT:** None

**BACKGROUND:** An earlier version of this was shared during the August 3<sup>rd</sup> Annual Meeting. From review of that version, there were a few recommendations for revision:

1 – Add reporting threshold to the property/EB portion (50% of retention)

*Update: Added a reference in this section. However, please note, the SPA MOC does not specify this reporting criteria, so left it as a recommendation.*

2 – Remove the Inland Marine references on the APD portion

*Update: The AIG Inland Marine department is referenced in the Binder and reporting instructions because that is the department for coverage and claims. We have added an explanation on the report to help avoid member confusion while still directing to right location.*

3- Remove much of the notification verbiage on the terrorism portion.

*Update: Done.*

**ATTACHMENTS:** SPA Loss Notification and Forms for Property, APD & Terrorism

### LOSS NOTIFICATION REQUIREMENT

#### PROPERTY AND EQUIPMENT BREAKDOWN ONLY SCHOOLS PROGRAM ALLIANCE (SPA)

Claim notifications need to be sent to Robert Frey, Diana Walizada and Sandra Doig.

- I. During regular business hours (between 8:30 AM and 5:00 PM PST), First Notice of Claim should be reported to Alliant Insurance Services via telephone, fax, mail or e-mail to our San Francisco Office:

Robert A. Frey, RPA  
Sr. VP/Director, Nat'l Claims Specialty  
Voice: (415) 403-1445 | Cell: (415) 518-2417  
Email: [rfrey@alliant.com](mailto:rfrey@alliant.com)

Diana L. Walizada, AIC, CPIW, RPA, AINS  
Vice President, Claims Unit Manager  
Voice:(415) 403-1453  
Email: [dwalizada@alliant.com](mailto:dwalizada@alliant.com)

Address: Alliant Insurance Services, Inc.  
100 Pine Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111  
Toll Free Voice: (877) 725-7695

- II. Please be sure to include SPA's Claim Administrator as a CC on all Claims correspondence:

Chris Stafford  
McLarens  
Voice: (415) 228 6407 | Cell: (415) 595-6263  
Email: [chris.stafford@mclarens.com](mailto:chris.stafford@mclarens.com)

Karen Cristofani  
McLarens  
Voice:(415)228-6408  
Email: [karen.cristofani@mclarens.com](mailto:karen.cristofani@mclarens.com)

Address: 180 Montgomery Street, Suite 2100  
San Francisco, CA 94104  
Voice: (415) 595-6263  
Email: [chris.stafford@mclarens.com](mailto:chris.stafford@mclarens.com)

Please include the Insured/JPA name along with the following information when reporting claims:

- Time, date and specific location of property damaged.
- A description of the incident that caused the damage (such as fire, theft or water damage).
- Estimated amount of loss in dollars.
- Contact person for claim including name, title, voice, and fax numbers.
- Complete and return the Property Loss Notice for processing.
- Mortgagee or Loss Payee name, address, and account number.

## IN THE EVENT OF A **PROPERTY LOSS:**

- 1) *Follow your organization procedures for reporting and responding to an incident.*
- 2) *Alert local emergency authorities, as appropriate.*
- 3) *Report the incident to Alliant Insurance Services immediately at:*

**(877) 725-7695**

**All property losses must be reported as soon as practicable upon knowledge within the risk management or finance division of the insured that a loss has occurred.**

Be prepared to give basic information about the location and nature of the incident, as well as steps which have been taken in response to the incident.

- 4) *Report the incident to McLarens AND your Alliant representative.*



**Schools Program Alliance**

c/o Alliant Insurance Services  
Corporation Insurance License No. 0C36861  
2180 Harvard Street, Suite 460, Sacramento, CA 95815

**FIRST NOTICE OF LOSS FORM**

**PROPERTY (AND EQUIPMENT BREAKDOWN)**

**SEND TO:** Alliant Insurance Services, Inc.  
**BY MAIL:** 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, CA 94111  
**BY EMAIL:** [rfrey@alliant.com](mailto:rfrey@alliant.com) AND [dwalizada@alliant.com](mailto:dwalizada@alliant.com)  
**CARBON COPY:** SPA Claims Administrator: [chris.stafford@mclarens.com](mailto:chris.stafford@mclarens.com) and [karen.cristofani@mclarens.com](mailto:karen.cristofani@mclarens.com) and your Alliant representative

**Today's Date:** \_\_\_\_\_

**Type of Claim: (check all that apply):**

<input type="checkbox"/>	<b>Real Property</b>	<input type="checkbox"/>	<b>Vehicles</b>
<input type="checkbox"/>	<b>Personal Property</b>	<input type="checkbox"/>	<b>Other</b>

**Insured's Name & Contact Information:**

**Insured's Name:** \_\_\_\_\_  
**Point of Contact:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**Phone:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**Broker/Agent's Name & Contact Information**

**Company Name:** Alliant Insurance Services – Claims  
**Point of Contact:** Robert A. Frey; Diana L. Walizada  
**Address:** 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, CA 94111  
**Phone:** 1 (877) 725-7695 **Policy Period:** \_\_\_\_\_

**Loss Information:**

**Date of Incident/Claim:** \_\_\_\_\_  
**Location:** \_\_\_\_\_  
**Description of Loss:** \_\_\_\_\_  
**Please list all attached or enclosed documentation:**  (check if none provided)

**Name of Person Completing this Form:** \_\_\_\_\_  
**Signature:** \_\_\_\_\_

### Per the SPA MOC Wording, Section IV General Conditions\*

#### J. NOTICE OF LOSS

In the event of loss or damage insured against under this Policy, the Insured shall give notice thereof to ALLIANT INSURANCE SERVICES, INC., 100 Pine Street, 11th Floor, San Francisco, CA 94111-1073. TEL NO. (877) 725-7695, FAX NO. (415) 403-1466 of such loss. Such notice is to be made as soon as practicable upon knowledge within the risk management or finance division of the insured that a loss has occurred.

***PLEASE NOTE: The SPA MOC does not specify a reporting threshold (\$). A recommendation is to consider reporting any claims that exceed half of your retention (i.e., any claim exceeding \$125,000).***

\*Please also refer to the *Loss Notification Requirement* page

### LOSS NOTIFICATION

#### AUTOMOBILE PHYSICAL DAMAGE (AND CONTRACTOR'S EQUIPMENT) SCHOOLS PROGRAM ALLIANCE (SPA)



#### Inland Marine Claims Reporting First Notice of Loss

You may use any of the following options to report your Inland Marine Claims:

**EMAIL** [jerseycitycommercialproperty@aig.com](mailto:jerseycitycommercialproperty@aig.com) (\*\*Best Method\*\*)

**Easy Link Fax** (866) 947-1331.

**Telephone Reporting** (888) 552-6465

Our goal is to provide the name and contact information of the adjuster handling your claim within one (1) business day. This telephone service also allows for follow-up on previously reported First Notice of Loss Reports if the name of the adjuster assigned to your claim is not known.

Key contact for the Inland Marine Claims is:

**Kevin Bidney**, Assistant Vice President

Telephone: (503) 323-2517

Email: [kevin.bidney@aig.com](mailto:kevin.bidney@aig.com)

Office Mailing Address:

222 SW Columbia Blvd

7<sup>th</sup> Floor

Portland, Oregon 97201

**PLEASE NOTE: The coverage falls under AIG's Inland Marine department, thus the reference to Inland Marine claims reporting above.**

\*Please be sure to include Alliant Insurance Services via telephone, mail or e-mail to our San Francisco Office as a CC on all Claims correspondence. During regular business hours (between 8:30 AM and 5:00 PM PST):

Robert A. Frey, RPA  
Sr. VP/Director, Nat'l Claims Specialty  
Voice: (415) 403-1445 | Cell: (415) 518-2417  
Email: [rfrey@alliant.com](mailto:rfrey@alliant.com)

Diana L. Walizada, AIC, CPIW, RPA, AINS  
Vice President, Claims Unit Manager  
Voice:(415) 403-1453  
Email: [dwalizada@alliant.com](mailto:dwalizada@alliant.com)

Address: Alliant Insurance Services, Inc.  
100 Pine Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111  
Toll Free Voice: (877) 725-7695





## Schools Program Alliance

c/o Alliant Insurance Services  
Corporation Insurance License No. 0C36861  
2180 Harvard Street, Suite 460, Sacramento, CA 95815

### LOSS NOTIFICATION

#### TERRORISM AND ACTIVE ASSAILANT Schools Program Alliance (SPA)

Claim notifications need to be sent to Matthew Cocklin, the claims director at BMS-London.

Matthew Cocklin  
Voice: +44(0)20 7374 5138  
Email: [matthew.cocklin@bmsgroup.com](mailto:matthew.cocklin@bmsgroup.com)

\*Please be sure to include Alliant Insurance Services via telephone, mail or e-mail to our San Francisco Office as a CC on all Claims correspondence. During regular business hours (between 8:30 AM and 5:00 PM PST):

Robert A. Frey, RPA  
Sr. VP/Director, Nat'l Claims Specialty  
Voice: (415) 403-1445 | Cell: (415) 518-2417  
Email: [rfrey@alliant.com](mailto:rfrey@alliant.com)

Diana L. Walizada, AIC, CPIW, RPA, AINS  
Vice President, Claims Unit Manager  
Voice:(415) 403-1453  
Email: [dwalizada@alliant.com](mailto:dwalizada@alliant.com)

Address: Alliant Insurance Services, Inc.  
100 Pine Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111  
Toll Free Voice: (877) 725-7695

#### Language per the Terrorism Including Sabotage Policy/Claims conditions section (There is a Terrorism and a separate Active Assailant section below)

##### TERRORISM

##### Claims Conditions Notification

In the event of any Occurrence likely to give rise to a claim hereunder, the Insured shall as soon as reasonably practicable notify the Insurers and/or the Broker, named for that purpose herein.

##### ACTIVE ASSAILANT COVERAGE

##### Notice of Loss

The Insured must give notice of an Active Assailant Event to the Insurer as soon as reasonably practicable in writing, and in any event, within thirty (30) days from the final day of the Policy Period during which the Active Assailant Event occurred.

\*Please be sure to include Alliant Insurance Services via telephone, mail or e-mail to our San Francisco Office as a CC on all Claims correspondence. During regular business hours (between 8:30 AM and 5:00 PM PST):

Robert A. Frey, RPA  
Sr. VP/Director, Nat'l Claims Specialty  
Voice: (415) 403-1445 | Cell: (415) 518-2417  
Email: [rfrey@alliant.com](mailto:rfrey@alliant.com)

Diana L. Walizada, AIC, CPIW, RPA, AINS  
Vice President, Claims Unit Manager  
Voice:(415) 403-1453  
Email: [dwalizada@alliant.com](mailto:dwalizada@alliant.com)

Address: Alliant Insurance Services, Inc.  
100 Pine Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111  
Toll Free Voice: (877) 725-7695

Item No: E.9.

## **“SILENT CYBER” – LMA5400 INFORMATION ITEM**

**ISSUE:** As discussed at last SPA Executive Committee Meeting, and left for further clarification, Lloyd’s of London (and others) have imposed blanket exclusionary language on property insurance policies to address the issue of so called “silent cyber” coverage.

The phrase refers to insurer concern that it is conceivable to find cyber insurance coverage in policies where such cover is not intended. Such a possibility has long existed in property (and other commercial) insurance policies, with the topic coming to a head for the Property market on July 1 renewals due to a high profile cyber-attack on an European industrial company earlier in the year.

To address the concern, the London property market has imposed new policy language in 2020 renewals that specifically excludes cover for property loss resulting from any malicious cyber-attack, and for a *non*-malicious incident, only that caused by fire or explosion. It is known as the LMA5400. The standard endorsement language is included as an attachment.

*Relative to other concerns*, the emergence of the exclusion is not believed to be a significant concern for public agencies right now, since loss stemming from cyber incidents that cause physical damage to real property are “hard to imagine”, be they malicious or non-malicious. Still, the possibility of such loss is a real concern for industrial risks, and accordingly, a robust insurance market has developed to address.

**RECOMMENDATION:** Due to the expected significant premium cost to resolve adequately, it is recommended that the issue be monitored by the broker team, with consideration be given for building options in the 7/1/21 renewal. Further, it may be advisable to have safety and loss control personnel consider the possibility of the risk of loss.

**FISCAL IMPACT:** Although it has not been priced specifically for SPA, a “wrap around” policy that addresses the issue is expected to cost many hundreds of thousands of dollars.

**BACKGROUND:** To obtain a firm quote, not surprisingly, they would need more information about the risk to SPA members. Most notably, they would want more information about cyber risk protocols followed by the SPA members, and the “connectedness/interrelationship” of systems to tangible properties of any members in transportation, port/airport, hospital and water treatment arenas.

**ATTACHMENTS:**

1. LMA 5400
2. BMS London Market Cyber Exclusion Discussion

## PROPERTY CYBER AND DATA ENDORSEMENT

- 1 Notwithstanding any provision to the contrary within this Policy or any endorsement thereto this Policy excludes any:
  - 1.1 Cyber Loss, unless subject to the provisions of paragraph 2;
  - 1.2 loss, damage, liability, claim, cost, expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any loss of use, reduction in functionality, repair, replacement, restoration or reproduction of any Data, including any amount pertaining to the value of such Data, unless subject to the provisions of paragraph 3;regardless of any other cause or event contributing concurrently or in any other sequence thereto.
- 2 Subject to all the terms, conditions, limitations and exclusions of this Policy or any endorsement thereto, this Policy covers physical loss or physical damage to property insured under this Policy caused by any ensuing fire or explosion which directly results from a Cyber Incident, unless that Cyber Incident is caused by, contributed to by, resulting from, arising out of or in connection with a Cyber Act including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act.
- 3 Subject to all the terms, conditions, limitations and exclusions of this Policy or any endorsement thereto, should Data Processing Media owned or operated by the Insured suffer physical loss or physical damage insured by this Policy, then this Policy will cover the cost to repair or replace the Data Processing Media itself plus the costs of copying the Data from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling the Data. If such media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank Data Processing Media. However, this Policy excludes any amount pertaining to the value of such Data, to the Insured or any other party, even if such Data cannot be recreated, gathered or assembled.
- 4 In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
- 5 This endorsement supersedes and, if in conflict with any other wording in the Policy or any endorsement thereto having a bearing on Cyber Loss, Data or Data Processing Media, replaces that wording.

### Definitions

- 6 Cyber Loss means any loss, damage, liability, claim, cost or expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any Cyber Act or Cyber Incident including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act or Cyber Incident.
- 7 Cyber Act means an unauthorised, malicious or criminal act or series of related unauthorised, malicious or criminal acts, regardless of time and place, or the threat or hoax thereof involving access to, processing of, use of or operation of any Computer System.
- 8 Cyber Incident means:
  - 8.1 any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any Computer System; or
  - 8.2 any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any Computer System.

- 9 Computer System means:
- 9.1 any computer, hardware, software, communications system, electronic device (including, but not limited to, smart phone, laptop, tablet, wearable device), server, cloud or microcontroller including any similar system or any configuration of the aforementioned and including any associated input, output, data storage device, networking equipment or back up facility,  
owned or operated by the Insured or any other party.
- 10 Data means information, facts, concepts, code or any other information of any kind that is recorded or transmitted in a form to be used, accessed, processed, transmitted or stored by a Computer System.
- 11 Data Processing Media means any property insured by this Policy on which Data can be stored but not the Data itself.

LMA5400

11 November 2019

# London Market Cyber Exclusions

## Why the landscape is changing

In January 2019 the UK regulator, the Prudential Regulation Authority (PRA), wrote to insurers<sup>1</sup> calling for more effective management of silent cyber exposures under first-party property damage policies. Silent Cyber refers to the potential confusion under non-cyber policies as to whether “cyber” related risks are covered or not. For years, many lines of business failed to either affirmatively include cyber coverage or explicitly exclude it. This leaves the potential for large scale disputes over whether an insured’s data can be considered a tangible asset, and thus covered under a property policy, or whether a cyber attack or administrative computer error that leads to a property damage loss would be covered.

From the 1<sup>st</sup> January 2020, Lloyd’s underwriters will be required to clarify their position on these cyber exposures. Both the insurance and reinsurance marketplace of Lloyd’s will mandate that all policies clearly state whether they will provide affirmative coverage and if not, an appropriate exclusion must be applied.

In the weeks leading up to this date and beyond it, clients and brokers should expect to see their markets either:

- introducing cyber exclusions to policies that didn’t have them before;
- replacing their previous cyber exclusions with more recently developed ones, or;
- allocating part of a policy’s premium to the affirmative cyber coverage they provide.

In preparation for this change, the Lloyd’s Market Association (LMA) have released four new cyber exclusions which aim to provide greater clarity than their predecessors: LMA5400 Property Cyber and Data Endorsement, LMA5401 Property Cyber and Data Exclusion, LMA5402 Marine Cyber Exclusion, LMA5403 Marine Cyber Endorsement\*.

<sup>1</sup> Sweeney, A. (2019). *Cyber underwriting risk: follow-up survey results*. Available: <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2019/cyber-underwriting-risk-follow-up-survey-results>.

\*Please note, although called “Property” or “Marine” exclusions, these may be used across any line of business depending on the underwriter’s preference.



## Property exclusions

The main 'Cyber'/'Data' clauses in use in the London property market were the NMA2914 and NMA2915 and have been in force since January 2001.

Both the NMA2914 and NMA2915 effectively excluded all losses resulting from the introduction of a 'Virus' (as defined in the clause) whether maliciously or by accident, however both of these clauses wrote back 'Resulting Fire or Explosion' as a result of the introduction of the virus.

There was very little difference between these clauses other than in respect of the Electronic Data Processing Media Valuation in Section 2 of both clauses. The NMA2914 allowed for the repair, replacement or reproduction of data as a result of any covered loss from virtually any source reasonably obtained within a required sub-limit. The NMA2915 only provided cover for restoring data from back-ups of the insured's own copies, but without a sublimit.

### LMA5400 Property Cyber and Data Endorsement

This clause excludes 'Cyber Loss' which describes the damage caused by the peril of either:

- a 'Cyber Act', being the malicious action resulting in a 'Cyber Loss', or,
- a 'Cyber Incident', being an accidental or operational error resulting in a 'Cyber Loss'.

The clause writes back, in item 2, resultant 'Fire or Explosion' directly resulting from a 'Cyber Incident' **only**. All other resultant damage remains excluded and there is no 'Fire or Explosion' coverage from a 'Cyber Act' – i.e. a malicious action.

With regards to data, this endorsement permits coverage for the costs of repair or replacement of the damaged data processing media plus the cost of copying the data from back-ups or from originals of a previous generation. There is no coverage here for research or engineering costs, nor any cost of recreating, gathering or assembling the data.

### LMA5401 Property Cyber and Data Exclusion

This clause is very similar to the LMA5400 in that it excludes both malicious and accidental cyber events. However, under this clause there is no write-back for any resultant damage following a cyber event and there is no cover for any repair or replacement of data – it is especially important to note this also means there is no cover for data loss caused by a physical peril such as a fire, explosion, storm, etc. If this clause is applied, it is likely to be broader than any previous cyber exclusion a policy may have had.

## Marine exclusions

For decades the Marine market (and others) have relied on the CL380 – Institute Cyber Attack Exclusion Clause. The exclusion is short, has a number of undefined terms and continues to raise debate regarding how it should be interpreted. The biggest cause of concern is whether the clause intends to exclude cyber attacks and accidental cyber events, or solely cyber attacks.

This old clause does however address the issue of war, civil war, rebellion, etc., which the property policies fail to do and hence it is usually more suited to Marine policies. Under it, this clause will not exclude cyber events if related to war, civil war, or revolution (etc.) events.

### LMA5402 Marine Cyber Exclusion

This new clause is more explicit than its predecessor as it clearly states that both computer failures and cyber attacks are excluded. However, it remains a short clause, lacking in detail, which simply states that any "loss, damage, liability or expenses" related to these incidents are excluded.

Note that this clause **does not write back** war, civil war, revolution (etc.) events and so is a broader exclusion than the LMA5403 Marine Cyber Endorsement (below). Carefully consider this clause if an underwriter is attempting to use it on a policy which intends to address war.

### LMA5403 Marine Cyber Endorsement

The Marine Cyber Endorsement is similar to the LMA5402, however, it does address the issues around war. Here cyber attacks are written back if related to a war, civil war, revolution, etc. event. However, accidental cyber events and operational errors remain excluded regardless. For example, a weapon that is discharged because of an intruder being in a ship's control system would be covered, but had an operational error of the computer system led to the discharge, it would not.

## Property coverage gaps

The new exclusions open up a new gap in coverage for those insureds affected by them. Previously, under both the NMA2914 and NMA2915, all resultant Fire and Explosion events would have been covered. Depending on the risk, the broker may have also negotiated other resultant perils to be written back. Now, risk managers should carefully consider the fact they may be completely uninsured for potentially large scale fires or explosions caused by a cyber attack. Under the LMA5401 in particular, they will also not be covered if such events were the result of an accidental cyber event.

These events are fewer and farther between than Data losses, but the scale of the disaster can be far greater. One of the most notable events of the past five years is that of a German steel mill that was the target of a sophisticated attack. Perpetrators took control of the mill's industrial control systems, ultimately leading to a loss of control of their blast furnaces. Limited details are known about the scale of the loss but the German government published a report stating there was "massive damage to the plant".

In such events, companies will be completely uninsured for these losses unless they have taken out a dedicated cyber policy with the appropriate coverage.

**Cyber Incident** – an incident can be considered an accidental cyber event such as a computer system failing to operate or operating incorrectly due to an error or omission by the insured.

**Cyber Act** – a cyber attack against either the insured or a third party, usually perpetrated by a bad actor, which leads to the insured sustaining damage.

## Data coverage gaps

Coverage for the repair or replacement of damaged data remains broadly similar under the LMA5400 to the previous NMA2915. However, if an insured does not already have a standalone cyber policy, they need to consider not just the replacement, but the recreation of data.

Shipping giant Maersk were famously hit by an attack known as NotPetya in 2017. The attack was actually targeting the Ukrainian software company, Linkos, but inadvertently hit around 2,000 companies worldwide, including Maersk. Within seven minutes the entire worldwide operations of Maersk were brought to a standstill and almost all data, including back-ups, were totally wiped from their systems. In such an event there would be no back up data to replace or repair this lost data. An insured suffering an attack like this would need to recreate all their data and system architecture from scratch – something not included under property policies where any of these exclusions have been applied. The only way to get a company running again would be to recreate the data, which can be an extremely costly and time consuming way to get back online.

Furthermore, under the LMA5401 there is a full exclusion on data, which means no coverage will be provided even for the repair or replacement from any proximate cause – **including property perils**. Cyber policies will not cover data loss from property perils either and so this is an important area for clients to consider.

A standalone cyber policy is, however, the best way to ensure your data is covered following a cyber attack or operational error. Through such policies, insureds can be confident their data is covered even if back-ups are destroyed.

**Data Replacement** – replacing data refers only to the costs of restoring data from back-ups. The process can be costly for large companies as multiple back-ups from many locations may be required to replace the lost data in full.

**Data Recreation** – when data cannot be replaced or restored because back-ups were not saved recently, or have been damaged, or simply do not exist then data must be recreated. In extreme cases this may mean manually retyping data, creating new code or copying paper files.

# How can BMS help?

The cyber market is primed to help protect insureds from the coverage gaps these new exclusions are creating. There are two forms of this; affirmative coverage and difference in conditions/difference in limits (DIC/DIL) cover.

## Affirmative coverage

Modern cyber policies in the London market should cover the recreation of data from both cyber attacks and accidental cyber events. However, affirmative property damage coverage within the cyber market which explicitly provides indemnity for resultant damage is less common. In the past year, this market has grown as the market prepares for the influx of enquires following the use of these exclusions by non-cyber markets. The underwriting process can usually be conducted using the property submission and a short cyber application form and premiums are competitive given the current soft state of the cyber market. Affirmative coverage is however more expensive than a DIC/DIL policy, but provides greater peace of mind.

## DIC/DIL

Many of the London cyber markets now provide a DIC/DIL property damage option. This usually operates if the property policy denies a claim due to a cyber exclusion; the cyber policy will then drop down to cover the resulting loss. It also provides standalone cyber coverage which is primary and unrelated to the property policy – so your data is affirmatively covered. Ultimately this is a cheaper option than the affirmative coverage above but there are some limitations. Consider, for example, the time it may take to pay a claim if the property policy must first deny a claim. Nonetheless, having a DIC/DIL policy in place can ensure that gaps in coverage created by the exclusions mentioned in this paper are more adequately addressed.

BMS has a dedicated Cyber & Technology team experienced in placing complex risk managed placements where coverage gap issues may be present. Our broking team has over two decades of experience and are frequently engaged to support other lines of business facing cyber exclusion issues. The team also includes an in-house cyber security consultant who assists insureds in accurately modelling their cyber exposure.

For more information please contact your broker or a member of our dedicated Cyber insurance team:

### Simon Meech

Cyber Insurance Broker

Mobile: +44 (0)774 746 0022

Email: [simon.meech@bmsgroup.com](mailto:simon.meech@bmsgroup.com)

### James Gordon

Managing Director – Cyber & Technology Division

Direct: +44 (0)207 480 0365

Email: [james.gordon@bmsgroup.com](mailto:james.gordon@bmsgroup.com)