



Board Office Use: Legislative File Info.	
File ID Number	19-1280
Introduction Date	June 26, 2019
Enactment Number	19-1222
Enactment Date	6/26/19 lf

# Memo

**To** Board of Education

**From** Preston Thomas, Chief Systems and Services Officer  
Rebecca Littlejohn, Risk Management Officer *RL*

**Date** June 26, 2019

**Subject** Approval by the Oakland Unified School District Board of Education for Insurance Premium Payments for the 2019-2020 Fiscal Year

## Action Requested

Approval by the Board of Education for membership contributions, Fiscal Year 2019-2020, for Excess Workers' Compensation Coverage, procured from CSAC Excess Insurance Authority a Joint Power Authority ("JPA"), in the amount of \$657,000 and Excess Liability & Property Coverage through Northern California ReLiEF ("NCR") a Joint Power Authority ("JPA") in the amount of \$2,982,434.

## Background

The District is permissibly self-insured for purposes of California workers' compensation coverage. The ultimate risk of such self-insurance is limited by the purchase of excess workers' compensation coverage above the self-insured retention ("SIR") level, which currently is \$500,000 per claim. Coverage was procured from individual insurance carriers through the District's broker of record, Alliant Insurance Services ("Alliant").

Additionally, the District self-insures its risk of property & liability coverage through membership in Northern California ReLiEF ("NCR"), which is a Joint Power Authority ("JPA") comprised of school districts and administered by Keenan & Associates. The District currently has a Member Retained Limit ("MRL") of \$250,000 for property and a MRL of \$250,000 for liability with other lines of coverage (Equipment Breakdown, Crime, Cyber Liability, Electronic Data Processing) having lower MRLs as outlined in the attached *pro forma*.

## Discussion

The District explored the insurance pooling option of a joint powers authority last year and joined CSAC Excess Insurance Authority (EIA) effective July 1, 2018. Renewal for the CSAC EIA excess Workers' Compensation program has decreased in comparison to the prior year. This decrease can be attributed to general market improvement and good claims experience.

Conversely, the proposed JPA membership contribution to NCR (which functions similarly to an insurance premium) has increased for a number of reasons. First,



the global insurance industry went from difficult to hard market with \$230 billion in losses over the last two year – the worst two year period in insurance history, while liability claims industry wide continue to see an increase in severity of large losses and runaway jury awards. Second, to capture increasing liability claims over \$100,000 and transfer that risk to the excess layer, the District is lowering the MRL for Liability coverage to \$100,000 and maintaining a MRL of \$250,000 for Property coverage. Finally, District property is appraised every five (5) years. This appraisal was conducted during the 2018-2019 fiscal year resulting in higher property values.

**Recommendation**

Approval by the Board of Education of Joint Powers Authority membership contributions, Fiscal Year 2019-2020, to CSAC Excess Insurance Authority JPA for Excess Workers' Compensation coverage in the amount of \$657,000 and to Northern California ReLiEF JPA for Excess Property and Liability coverage in the amount of \$2,982,434.

**Fiscal Impact**

Fund 67, Resource Code 0000, not to exceed \$3,639,434

**Attachments**

Northern California ReLiEF *pro forma* 2019-2020  
Workers' Compensation Insurance CSAC EIA Resolution  
Workers' Compensation Coverage 2019-2020 Insurance Proposal



**PROFORMA**

**JULY 1, 2019 to JULY 1, 2020**

**ESTIMATED CONTRIBUTION /PREMIUM SUMMARY**

ReLiEF COVERAGES	MEMBER RETAINED LIMIT/ DEDUCTIBLE	CONTRIBUTION/ PREMIUM
LIABILITY \$10,000,000 Limit Of Liability	\$100,000	\$1,508,759
PROPERTY \$250,250,000 Total Insured Values (TIV)	\$250,000	\$1,119,362
ELECTRONIC DATA PROCESSING EQUIPMENT \$22,129,692 Total Insured Values (TIV)	\$250	\$61,233
CRIME \$5,000,000 Employee Dishonesty/Faithful Performance	\$2,500	\$7,244
CYBER LIABILITY \$1,000,000 Security Breach Response Limit	\$25,000	\$6,286
EQUIPMENT BREAKDOWN \$100,000,000 Total Insured Values (TIV)	\$1,000	\$51,169
SUBTOTAL PROGRAM COSTS		\$2,754,053
EXCESS LIABILITY \$25,000,000 Excess Limit of Liability	\$10,000,000	\$161,349
EXCESS LIABILITY \$50,000,000 Excess Limit of Liability	\$25,000,000	\$47,443
TOTAL PROGRAM COSTS		\$2,962,845

LIABILITY		PROPERTY	
2017/2018 LOTTERY ADA	42,360	TIV:	\$2,005,047,684
EX MOD. - RETAINED	110	EX MOD. - RETAINED	126

Service Team:

Kyle McKibbin, Account Executive  
Tara Cooper-Salaiz, Senior Account Manager/Team Leader



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PROFORMA

JULY 1, 2019 to JULY 1, 2020

ESTIMATED CONTRIBUTION/ PREMIUM SUMMARY

Latest Real Property Appraisal Date	05/31/2018
Next Real Property Appraisal Date	05/31/2023
- PROGRAM COSTS	\$2,962,845
- RISK MANAGEMENT RESERVE*	\$ 19,589
- TOTAL PROGRAM COSTS	\$2,982,434
*RESERVE = .015 x 6,529,596 SQ FT	FIVE YEAR CONTRACT

  

Accepted by: *Aimee Eng* Aimee Eng  
 Authorized District Representative - President, Board of Education

Title: *Kyla Johnson-Trammell* Kyla Johnson-Trammell  
 Authorized District Representative - Secretary, Board of Education

Witnessed by: \_\_\_\_\_  
 Kyle McKibbin

**SIGNATURE OF THE AUTHORIZED REPRESENTATIVE WILL BIND COVERAGE.**  
 Keenan is compensated for the various services it provides in connection with the management and administration of Northern California ReLIEF (NCRa), including general administration, financial processing, claims administration, loss control, reporting, marketing, underwriting, brokerage (reinsurance and other coverages) and reinsurance/insurance services. The compensation paid to Keenan is approved by the governing board of NCR and is included in the cost of member contributions. It is anticipated that the total compensation to be received by Keenan for these services for the 2018/2019 program year will not exceed 14% of total member contributions. This compensation does not include amounts payable to Keenan pursuant to separate contracts for services provided directly to individual members, the cost of allocated loss adjustment services provided in connection with individual claims, or reinsurance premium payable to Meritage Insurance Group, a wholly-owned subsidiary of Keenan, pursuant to a reinsurance contract. For additional information concerning Keenan compensation, see [www.keenan.com/disclosure.asp](http://www.keenan.com/disclosure.asp).

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**Oakland Unified School District  
Estimated Contribution/Premium Summary  
July 1, 2019 to July 1, 2020  
Member Retained Limit  
Liability \$ 100,000 Property \$ 250,000**

**Proforma Footnote Report**

- 1. 2017/2018 LOTTERY ADA:** Average Daily Attendance from the Department of Education with the exception of certain special agencies which use special ADA Exposure data. ADA has been factor updated by 1.04446 in compliance with the Government Code Section 8880.5(m) to compensate for the rate of excused absences.
- 2. T.I.V. Property:** Total Insurable Values(T.I.V.) based upon Statement of Values as confirmed by the District (TIV for Charter Schools, EDP and COC included, if applicable.)
- 3. T.I.V. - EDP:** EDP T.I.V. as confirmed by the District.
- 4. Liability:** Risk Factored ADA x adjusted ReLIEF rate plus ADA x \$9 Mil excess of \$1 Mil rate.Does not consider Special Agency flat fees and Super Pool minimum contributions.
- 5. Excess Liability:** Lottery ADA x Excess Liability Rate + Lottery ADA x Reinsurance Liability Rate
- 6. Property:** TIV/\$100 x Property Rate
- 7. EDP:** EDP TIV/\$100 x EDP Rate
- 8. Crime:** Lottery ADA x Crime Rate
- 9. Cyber Liability:** Lottery ADA x Cyber Liability Rate
- 10. Equip Brkdn:** Equipment Breakdown (B&M) Property TIV/\$100 x Equipment Breakdown Rate
- 11. Program Total:** Sum of Liability, Excess Liability, Property, EDP, Crime, Cyber Liability and Equipment Breakdown.



March 25, 2019

Rebecca Littlejohn  
Risk Management Officer  
**Oakland Unified School District**  
1000 Broadway, 6<sup>th</sup> Floor, Suite 680  
Oakland, CA 94607

RE: 2019/2020 CSAC EIA Premium Estimates – Oakland Unified School District

Dear Rebecca,

As the broker for Oakland USD’s excess workers’ compensation program, we would like to provide you with the CSAC EIA premium estimate for the 2019/20 program year as well as a program comparison from prior years.

Coverage/ Premium/Rate	2015/16	2016/17	2017/18	2018/19	Estimated Renewal 2019/20
Payroll	N/A	N/A	N/A	\$ 304,946,088	\$ 304,946,088
EWC				\$ 672,184	\$ 657,000
<b>Total Premium:</b>	N/A	N/A	N/A	<b>\$ 672,184</b>	<b>\$ 657,000</b>
Rate:	N/A	N/A	N/A	<b>0.22</b>	<b>0.22</b>
Change in Rate:					-2%
Change in Payroll:					0%

The workers’ compensation insurance market continues to experience the following:

- Rates decreasing more than offsetting economic growth
- Cost drivers – frequency beginning to decrease in the Los Angeles Basin Area; severity growth continues to be moderate; sharp reduction in pharmaceutical costs; loss adjustment expenses continuing to grow; claims are closing faster
- Cumulative trauma claims significantly impact system
- Recent legislation driving pure premium rate decreases



Based on the projected renewal indications for Oakland USD, we are pleased to deliver a workers' compensation renewal reflecting a rate decrease. The final proposals will be provided to the District in June.

Should you wish to discuss this further or have any questions, please do not hesitate to contact me.

Sincerely,

**Alliant Insurance Services, Inc.**

A handwritten signature in black ink that reads "Lilian A. Vanvieldt". The signature is written in a cursive style.

Lilian Vanvieldt  
Senior Vice President

Enclosures

cc:

Angela Hatley, Alliant Insurance Service  
Maria Gregoris, Alliant Insurance Service

**OAKLAND UNIFIED SCHOOL DISTRICT  
EXCESS WORKERS' COMPENSATION  
INSURANCE INDICATION 2019-2020**



<p><b>CONDITIONS:</b></p>	<ul style="list-style-type: none"> <li>• Claims audit to be conducted within the first year</li> <li>• Actuarial Study to be conducted within the first year</li> <li>• Receipt of completed &amp; signed Authorization to obtain Loss Data form</li> <li>• Receipt of the executed Joint Powers Agreement (JPA) prior to binding</li> <li>• Receipt of the executed Excess Workers' Compensation Memorandum of Understanding prior to binding</li> <li>• Receipt of executed Board Resolution to join CSAC EIA &amp; Designated Representative prior to binding</li> </ul>	<ul style="list-style-type: none"> <li>• <b>This indication is based on the terms and conditions from the 2018/2019 program. The final 2019/2020 terms have not been finalized and will be subject to approval by the Executive and Underwriting Committees.</b></li> <li>• <b>Premiums, terms and conditions are subject to change.</b></li> </ul>
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**DATE PREPARED:** April 24<sup>th</sup>, 2019

**BROKER:** **ALLIANT SERVICE TEAM**  
  
Lilian Vanvieldt, Senior Vice President  
Maria Gregoris, CSRM, Account Executive  
Afi Alameddine Account Manager

THIS PROPOSAL IS FOR INFORMATION PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliantinsurance.com](http://www.alliantinsurance.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6<sup>th</sup> Floor, San Diego, CA 92101.

Analyzing insurers' over-all performance and financial strength is a task that requires specialized skills and in-depth technical understanding of all aspects of insurance company finances and operations. Insurance brokerages such as Alliant Insurance typically rely upon rating agencies for this type of market analysis. Both A.M. Best and Standard and Poors have been industry leaders in this area for many decades, utilizing a combination of quantitative and qualitative analysis of the information available in formulating their ratings.

A.M. Best has an extensive database of nearly 6,000 Life/Health, Property Casualty and International companies. You can visit them at [www.ambest.com](http://www.ambest.com). For additional information regarding insurer financial strength ratings visit Standard and Poor's website at [www.standardandpoors.com](http://www.standardandpoors.com).



**OAKLAND UNIFIED SCHOOL DISTRICT  
EXCESS WORKERS' COMPENSATION  
INSURANCE INDICATION 2019-2020**



	<b>2018-2019 CSAC-EIA CURRENT COVERAGE</b>	<b>2019-2020 CSAC-EIA RENEWAL INDICATION</b>
<b>A.M. BEST GUIDE RATING:</b>	Various	Various
<b>STANDARD &amp; POOR'S RATING:</b>	Various	Various
<b>CALIFORNIA STATUS:</b>	Admitted	Admitted
<b>COVERAGE TERM:</b>	July 1, 2018 to July 1, 2019	July 1, 2019 to July 1, 2020
<b>SIR:</b>	\$500,000	\$500,000
<b>LIMITS OF COVERAGE:</b>		
<b>Excess Workers' Compensation:</b>	Statutory	Statutory
<b>Employers Liability:</b>	\$5,000,000	\$5,000,000
<b>ESTIMATED ANNUAL PAYROLL:</b>	\$304,946,088	\$306,899,234
<b>ESTIMATED ANNUAL PREMIUM :</b>	\$672,184	\$662,902
<b>ESTIMATED RATE PER \$100 OF PAYROLL:</b>	0.221	0.216
<b>TERRORISM OPTION:</b>	Coverage included in above premium	Coverage included in above premium
<b>MAJOR EXCLUSIONS: (Including but not limited to)</b>	<ul style="list-style-type: none"> <li>• Punitive or exemplary damages, fines or penalties</li> <li>• Any payments in excess of the benefits regularly provided by the Workers' Compensation law</li> <li>• Labor Code 4850 benefits (Optional buy-back)</li> <li>• Labor Code 4856 benefits</li> <li>• Education Section Codes 44984 and 45192</li> </ul>	<ul style="list-style-type: none"> <li>• Punitive or exemplary damages, fines or penalties</li> <li>• Any payments in excess of the benefits regularly provided by the Workers' Compensation law</li> <li>• Labor Code 4850 benefits (Optional buy-back)</li> <li>• Labor Code 4856 benefits</li> <li>• Education Section Codes 44984 and 45192</li> </ul>



CSAC Excess Insurance Authority  
2019/20 Early Budget Estimates, March 2019  
Oakland Unified School District

This third round of early estimates have been prepared to further aid you in budgeting for the 2019/20 fiscal year. At this time, updated estimates are being provided for all major programs. Since the December version: (1) The budget estimates have been updated with actuarial rates for the pooled layers; (2) The reinsurance rates were updated where we have proposals; and (3) We have incorporated more accurate administrative budget numbers. While the estimates provided are more refined from the previous version, they contain a range if there are still outstanding items specific to the program. The estimates are intended to be conservative, however there may be a chance that final numbers will come in higher than the assumptions currently in place. For this reason we recommend continuing to budget toward the high end of the estimate range if one is provided.

### Excess Workers' Compensation Program

#### Premium

17/18 Premium:	N/A	2017/18 Estimated Payroll:	N/A
18/19 Premium:	\$672,184	2018/19 Estimated Payroll:	\$304,946,088
19/20 Estimated Premium:	<b>\$657,000</b>	2019/20 Estimated Payroll:	\$304,946,088

The EWC premium projections have been updated to reflect your entity's estimated 2019/20 exposure, as provided on your renewal application, as well as losses based on the June 30, 2018 data collection. Since the December estimate, we have updated the projected program administrative costs and received and updated the pool and reinsurance rates.

Pool rates have changed from last year as follows:

- County rates are down 5.1% on average
- Low Safety rates are down 3.3% on average
- High Safety rates are down 3.9% on average
- School rates are down 2.2% on average

Reinsurance Premiums changed from last year as follows:

- Ace layer \$45m x \$5M - 5.5% increase
- Liberty Mutual layer \$50M to Statutory - Pending proposals, estimated 7% increase
- Safety National - No Rate change

The estimates have become more accurate, however, we are still pending the finalization of some miscellaneous fees. To remain somewhat conservative at this point, the estimates were rounded up to the nearest \$1,000. We will distribute final premium numbers in June once the nominal fees are finalized.