

## AGENDA

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

**DATE/TIME:** June 10, 2024 at 10:00 AM PDT

**LOCATION VIA TELECONFERENCE:** Toll Free (888) 475 4499 or (669) 900-6833 US Toll  
 Meeting number (access code): 940 0638 4031

<https://alliantinsurance.zoom.us/j/94006384031?pwd=VS9CaTdpYXlwdmVNenZBSk9BYmxoUT09>

**A Action**  
**I Information**

**1 Attached**  
**2 Hand Out**  
**3 Separate Cover**  
**4 Verbal**

### 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.*

**This Meeting Agenda shall be posted at the address of the teleconference locations shown below with access for the public via phone/speaker phone.**

1. Butte Schools Self-Funded Programs, 500 Cohasset Road, Suite 24, Chico, CA 95926
2. North Bay Schools Insurance Authority, 380 Chadbourne Rd, Fairfield, CA 94534
3. Redwood Empire Schools' Insurance Group, 5760 Skylane Blvd., Suite 100, Windsor, CA 95492
4. Schools Insurance Authority, 9800 Old Placerville Rd, Sacramento, CA 95827
5. Schools Insurance Group, 550 High Street, Ste. 201, Auburn, CA 95603
6. Central California Schools Authority, 7170 N. Financial Dr. #130, Fresno, CA 93720

**PAGE A. CALL TO ORDER, ROLL CALL, QUORUM A 4**

**B. APPROVAL OF AGENDA AS POSTED A 4**

**C. PUBLIC COMMENTS I 4**  
*The public is invited at this point to address the Board of Directors on issues of interest to them.*

**Pg. 4 D. CONSENT CALENDAR A 1**  
*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.*

1. Minutes of SPA Board Teleconference Meeting May 13, 2024

**E. MEMBER PROGRAM AND IDEA SHARING I 4**  
*This is an opportunity for a 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 facing. Please mail a copy of any materials to each member City in advance of the meeting.*

## F. GENERAL ADMINISTRATION AND FINANCIAL REPORTS

Pg. 9	<b>1. Financial Audit for Year Ended June 30 2024</b> <i>The Board will receive a draft of the Financial Audit.</i>	<b>A</b>	<b>1</b>
Pg. 38	<b>2. Proposed Budget FY 24/25</b> <i>The Board will receive and may approve the budget for the next fiscal year.</i>	<b>A</b>	<b>1</b>
Pg. 40	<b>3. Claims Task Force Update</b> <i>The Board will receive an update from the Claims Task Force.</i>	<b>I</b>	<b>1</b>
Pg. 41	<b>4. Alliant Deadly Weapons Response Program FY 24/25</b> <i>The Board will receive information about the ADWRP and may consider binding coverage for the 2024-2025 period.</i>	<b>A</b>	<b>1</b>
Pg. 58	<b>5. Appointment of Managing Member and Chairperson</b> <i>Members will nominate and appoint the Managing Member of the SPA JPA as well as select a Chairperson and Co-Chairpersons.</i>	<b>A</b>	<b>1</b>

## G. LIABILITY PROGRAM

Pg. 59	<b>1. Excess Liability Program Renewal</b> <i>Jim Wilkey may provide the Board with an update regarding the Liability Renewal.</i>	<b>A</b>	<b>4</b>
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## H. PROPERTY PROGRAM

Pg. 60	<b>1. Vacancy Permit Member Update</b> <i>SPA members to provide update on Vacancy Permits and present any Vacancy Permits for approval.</i>	<b>A</b>	<b>1</b>
Pg. 65	<b>2. Coverage Limitations at July 1, 2024 Property Program Renewal – Remote and High Risk</b> <i>A. Presentation of suggested locations from Ad Hoc committee</i> <i>B. MOC – draft endorsement (revised from May board meeting recommendation)</i>	<b>A</b>	<b>1</b>
Pg. 168	<b>3. 2024 Property (and APD) Renewal – Renewal Status Update</b> <i>A. The Board will receive updated costs expectations since NTE.</i> <i>B. Update on WF deductible potential changes and Alternative Retained Layer options</i> <i>C. Discussion regarding June “true-up” pre-binding and PA needs</i>	<b>A</b>	<b>1</b>
Pg. 169	<b>4. SPA Property Approval of MOC</b> <i>Members will be presented with the SPA Property MOC and will consider approval.</i>	<b>A</b>	<b>1</b>
Pg. 170	<b>5. Approval of Property Program Claims Payments</b> <i>The Board will review and consider approval of claim payments.</i>	<b>A</b>	<b>1</b>

**I. INFORMATION ITEMS AND DISCUSSION****I 4**

*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.*

*Pg. 174***1. Strategic Planning Overview for August 20 – 21, 2024**

*The Board will receive an update regarding the Strategic Plan as well as the plans for the entertainment.*

*Pg. 175***2. Public Entity School Trends – AmWins****J. ADJOURNMENT****A 4**

**Upcoming Teleconference Meeting Dates: June 10, 2024 and August 20, 2024**

Item No: D.

## **CONSENT CALENDAR**

### **ACTION ITEM**

**ISSUE:** Items on the Consent Calendar are to be reviewed. If any item requires clarification, discussion, or amendment by any member of the Board, such item(s) may be pulled from Consent Calendar and placed on the agenda for separate discussion.

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

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

**FISCAL IMPACT:** As indicated on any item included.

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

### **ATTACHMENTS:**

1. Minutes of SPA Board Teleconference Meeting May 13, 2024



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## **SCHOOLS PROGRAM ALLIANCE**

### **May 13, 2024 Teleconference Board Meeting Minutes**

**Members Present:**

<b>Butte Schools Self-Funded Programs (BSSP)</b>	Christy Patterson
<b>Butte Schools Self-Funded Programs (BSSP)</b>	Nicole Strauch
<b>North Bay Schools Insurance Authority (NBSIA)</b>	Kim Santin
<b>Redwood Empire Schools Insurance Group (RESIG)</b>	Cindy Wilkerson
<b>Redwood Empire Schools Insurance Group (RESIG)</b>	Sandy Manzoni
<b>Schools Insurance Authority (SIA)</b>	Martin Brady
<b>Schools Insurance Authority (SIA)</b>	Brooks Rice
<b>Schools Insurance Authority (SIA)</b>	Debrah Sherrington
<b>Schools Insurance Authority (SIA)</b>	Phil Brown
<b>Schools Insurance Authority (SIA)</b>	Amy Russell
<b>Schools Insurance Authority (SIA)</b>	Olivia Nelson
<b>Schools Insurance Group (SIG)</b>	Kelli Hanson
<b>Schools Insurance Group (SIG)</b>	Nancy Mosier
<b>Central California Schools Authority (CCSA)</b>	Alan Caeton

**Consultants & Guests**

Dan Howell, Alliant Insurance Services	James Wilkey, New Front Insurance
Dan Madej, Alliant Insurance Services	Eileen Massa, New Front Insurance
Marcus Beverly, Alliant Insurance Services	Ryan Telford, AmWins
Michelle Minnick, Alliant Insurance Services	Chris Tambo, AmWins
Jenna Wirkner, Alliant Insurance Services	Hannah Watkins, BMS
Mike Kielty, George Hills	Tim West, BMS
Greg Rolen, Bonesteel	

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

Mr. Martin Brady called the meeting to order at 10:01 a.m. The above-mentioned members were present constituting a quorum.

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

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

**MOTION:** Cindy Wilkerson

**SECOND:** Alan Caeton

**MOTION CARRIED  
UNANIMOUSLY**

**C. PUBLIC COMMENT**

There were no public comments.

**D. CONSENT CALENDAR**

1. Minutes of SPA Board Teleconference Meeting March 11, 2024 - revised
2. Minutes of SPA Board Teleconference Meeting April 8, 2024
3. SPA Aggregate Erosion Policy – Wording approved April 8, 2024

It was noted that on Page 10 F.2 Liability is spelled incorrectly and a correction was requested.

*A motion was made to approve the Consent Calendar with the correction as noted.*

**MOTION: Kim Santin**

**SECOND: Christy Patterson**

**MOTION CARRIED  
UNANIMOUSLY**

## **E. MEMBER PROGRAM AND IDEA SHARING**

There was nothing discussed during the meeting.

It was requested that the Board review Item G.1 at this time.

## **G. LIABILITY PROGRAM**

### **G.1. EXCESS LIABILITY PROGRAM RENEWAL**

Jim Wilkey provided the Board with a review of the Excess Liability Renewal and shared that the market has confirmed they are not ready for a structured deal with Public entities at this time. He also provided a review of the marketing efforts completed and indicated they will continue to finalize the pricing and as we get closer to the renewal more information will come available.

## **F. GENERAL ADMINISTRATION AND FINANCIAL REPORTS**

### **F.1. FINANCIALS AS OF MARCH 31, 2024**

Phil Brown provided the Board with a review of the financial as of March 31, 2024. He indicated the net position is up by \$1.7M and includes claims liabilities as of December 31, 2023.

*A motion was made to accept and file the report as presented.*

**MOTION: Kim Santin**

**SECOND: Kelli Hanson**

**MOTION CARRIED  
UNANIMOUSLY**

### **F.2. BUDGET CONSIDERATIONS & ASSUMPTIONS FY 24/25**

Phil Brown provided a review of the Budget Considerations for FY 24/25 and noted in FY 23/24 we started to budget for actuary and administrative costs which has been included.

*A motion was made to accept and file the report as presented.*

**MOTION: Kelli Hanson**

**SECOND: Cindy Wilkerson**

**MOTION CARRIED  
UNANIMOUSLY**

### **F.3. STRATEGIC PLANNING UPDATE**

Marcus Beverly provided that we will review this list at each meeting and mentioned one item (Business Continuity Planning) there has not been much movement but once the Board has considered the high risk locations this will likely be picked up again. Additionally, it was mentioned that Greg Rolen is in attendance and the Board will hear from him later in the agenda. Lastly there was a discussion related to the entertainment for the August meeting and members were encouraged to respond to polls being sent out to track attendance.

### **F.4. CLAIMS TASK FORCE UPDATE**

Marcus Beverly provided the Board with an update related to the Claims Task Force and shared a sample loss run template and indicated that McLarens will be adjusting claims in the SPA layer. Chris Tambo provided an update regarding the need for loss runs and noted that they are now seeking semi-annual (between quoting and binding and between Thanksgiving & Christmas). The Board was reminded that loss runs are still being requested on a monthly basis.

### **F.5. UPDATE ON LEGAL REVIEW OF GOVERNING DOCUMENTS**

Greg Rolen provided the Board with a review of the SPA JPA documents and noted that he is not recommending a reconfiguration of the JPA. After a review of the documents he noted the JPA Agreement is outstanding and the organization is operationally sound but mentioned the resolution to engage in risk sharing activities could be refined to better incorporate the JPA Agreement.

### **F.6. SPA LOSS CONTROL – TASK FORCE UPDATE**

Cindy Wilkerson noted that this was created to determine options to use Loss Control Funding that is available to members and provided a review of the list that would support wildfire prevention. After a discussion it was noted that the task force will reconvene and bring back additional information at the Strategic Planning meeting.

## **H. PROPERTY PROGRAM**

### **H.1. 2024 PROPERTY (AND APD) RENEWAL – RENEWAL STATUS UPDATE**

Dan Madej provided the Board with a review of the proposed retained layers developed by Chris Nahas which contains the not-to-exceed numbers. He first noted for the APD coverage placed with AIG, we were able to negotiate an increase in limits to \$700k for any one vehicle. Additionally, the APD placement has not had a separate earthquake and flood deductible, but AIG has requested to add a \$50k deductible for this renewal. For ADWRP he noted that we have not received any notice of changes to coverage and terms have not been provided yet but we anticipate a not to exceed of up to 10% with the expectation of the renewal being flat.

Chris Tambo provided a review of the status of the AmWins property renewal and noted that they are still working to finalize the placement (with about 75% completed) so the not-to-exceed numbers provided are conservative estimates with our expectation that those numbers will come down as the tower is finalized.

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Dan Madej provided the Board with a review of the Cost allocation of the overall premiums with the options for an increase in Retention A and B. After a discussion it was generally agreed to explore pricing for increasing the retention

## **H.2. COVERAGE LIMITATIONS AT JULY 1, 2024 PROPERTY PROGRAM RENEWAL – REMOTE AND HIGH RISK LOCATIONS**

Dan Madej provided the Board with a review of the remote and high risk locations and led a discussion regarding the potential changes to the MOC including the addition of a margin clause. It was also mentioned that the wording should reflect the “Division of State” to use the correct name. After a discussion it was noted that this would be brought back to the June meeting.

## **H.3. VACANCY PERMIT REQUEST UPDATE**

Dan Howell reviewed the Vacancy Permit requests that have been provided by members. After a discussion of the presented Vacancy Permits the Board agreed this should be brought back to the next meeting for final review after a committee can review and provide a recommendation.

## **I. INFORMATION ITEMS AND DISCUSSION**

There were no items of discussion.

## **J. ADJOURNMENT**

*A motion was made to adjourn the meeting.*

**MOTION:** Alan Caeton

**SECOND:** Cindy Wilkerson

**MOTION CARRIED  
UNANIMOUSLY**

The meeting was adjourned at 12:43 P.M.

**NEXT MEETING DATE: June 10, 2024 via Teleconference**

Respectfully Submitted,

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Martin Brady, Secretary

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Date

Item No: F.1.

**FINANCIAL AUDIT FOR YEAR ENDED JUNE 30, 2024****ACTION ITEM**

**ISSUE:** SPA Financial Statement Audit is presented to the Board for review and approval.

**RECOMMENDATION:** Review, accept and file, or provide direction.

**FISCAL IMPACT:** None anticipated.

**BACKGROUND:** SPA members' annual contributions provide for 1) a Property Program, and 2) a Liability Program of excess insurance purchases, for the benefit of the member districts/JPAs. The Schools Insurance Authority (SIA) functions as the Managing Member per the JPA agreement. The Managing Member receives and disburses funds, signs contracts, and manage the financial operations of SPA.

The fiscal year ended June 30, 2023, was the third year of the SPA Property Program and the second year for the Liability Program. SIA, as the Managing Member, has worked with Gilbert CPAs to complete the financial audit on behalf of SPA.

The Financial Statements with Independent Auditor's Report (Audit Report) is attached. The Audit Report includes the independent auditor's report, management's discussion and analysis, the basic financial statement, related notes, and the required supplementary information. Also included is the required Communications With Those Charged With Governance.

At this time, the audit report is presented in "DRAFT" format pending a final partner review. However, we do not expect substantive changes to the report or communications.

Highlights of the Audit Report include combined program results.

- The auditors provide a "clean" opinion, with no findings.
- Member contributions were \$25.8 million; contributions were up \$5.7 million over last year.
- Total operating expenses were \$25.4 million, of which the majority (\$22.4 million) was for insurance premiums. Insurance premiums were up \$4.3 million over last year.
- Claims expenses of \$2.8 million were recognized, up about \$503,000 from the prior year.
- Net Position increased by around \$446,000, yielding an ending Net Position of \$3.3 million.



## Schools Program Alliance

*c/o Alliant Insurance Services*

*Corporation Insurance License No. 0C36861*

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

Board of Directors Teleconference Meeting

June 10, 2024

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**RECOMMENDATION:** We recommend approval of the report pending final partner review and assuming no substantive changes to the audit report, opinion or amounts reported.

**ATTACHMENTS:** The report and required communications are attached following.

**SCHOOLS PROGRAM ALLIANCE  
JOINT POWERS AUTHORITY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
JUNE 30, 2023 AND 2022**

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

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## INTRODUCTION



## About SPA

Schools Program Alliance (SPA) was formed on June 1, 2020, as a cooperative reinsurance purchasing pool and self-insurance loss funding pool. The SPA Program was formed to work collectively to keep rising costs down for school entities. SPA is committed to saving and stabilizing insurance premium dollars for member JPAs and their school members.

SPA is made up of six member JPAs representing school districts, county offices of education, charter schools and other related entities, all located in Northern and Central California. The lines of coverage provided through SPA are property and liability. The SPA members include individual JPA members Butte Schools Self-Funded Programs (BSSFP), North Bay Schools Insurance Authority (NBSIA), Redwood Empire Schools Insurance Group (RESIG), Schools Insurance Authority (SIA), Schools Insurance Group (SIG), and Central California Schools Authority (CCSA), which joined the Liability Program as of 7/1/22.

### **PROPERTY (effective 7/1/20)**

SPA's property program makes available coverage for physical damage to members' real, personal property, and automotive coverage up to \$100 million. Each member JPA is responsible for the first \$250,000 of each claim. The SPA JPA provides a self-insurance loss layer with an annual aggregate deductible of \$3 million before the excess carrier(s) take responsibility. Coverage above the SPA deductible is provided by a panel of domestic and international excess and reinsurance companies.

Each member JPA staff performs the initial claim assessment, investigation and claim administration, focusing on a prompt, appropriate claim resolution, which results in cost-savings for our members. The Property Program is made up of five members: BSSFP, NBSIA, RESIG, SIA, and SIG.

### **LIABILITY (effective 7/1/21)**

The liability program provides members with coverage for third party liabilities (general, automotive, employment practices, and errors and omissions) up to \$30 million. Each member JPA is responsible for the first \$5 million per claim. Coverage is provided by a panel of domestic excess and reinsurance companies.

Each member JPA staff performs the initial claim assessment, investigation, and administration of each claim, focusing on a prompt, appropriate claim resolution, which results in cost-savings for our members. The Liability Program includes three JPAs; Bay Area Schools Insurance Cooperative (BASIC, a JPA comprised of BSSFP, NBSIA, and RESIG), CCSA and SIA.

## SPA Partnerships

SPA works with a variety of partners and specialists to achieve the best possible outcomes for their members:

- the insurance marketplace to obtain the best excess insurance coverage at the best rate.
- industry specialists to value properties, consult on risk control, and evaluate and value property losses.
- financial professionals to ensure accurate and reliable financial information.
- the JPA community to share best practices for quality governance in the JPA community.
- state and local law makers to promote wise decision-making regarding related laws that would affect the cost of claims or claims handling.

## SPA Governance

SPA's Board of Directors is comprised of one representative from each participating member. Administration is supported through strategic partners and a Managing Member. Schools Insurance Authority (SIA) has been appointed as the Managing Member of SPA.

## FINANCIAL SECTION

DRAFT



## **INDEPENDENT AUDITOR'S REPORT**

**Board of Directors and Members  
Schools Program Alliance Joint Powers Authority  
Sacramento, California**

### **Opinion**

We have audited the accompanying financial statements of the Schools Program Alliance Joint Powers Authority (SPA) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise SPA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPA as of June 30, 2023 and 2022, and the changes in financial position and its cash flows for the year and period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SPA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and claims development information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Management's Discussion and Analysis

This management's discussion and analysis of Schools Program Alliance (SPA) financial performance provides an overview of SPA's activities for the fiscal year ended June 30, 2023. This is the third year of operation for the SPA property program, and the second year of the liability program. Please read this in conjunction with the Independent Auditor's Report on [page 2](#) and with SPA's basic financial statements which begin on [page 10](#).

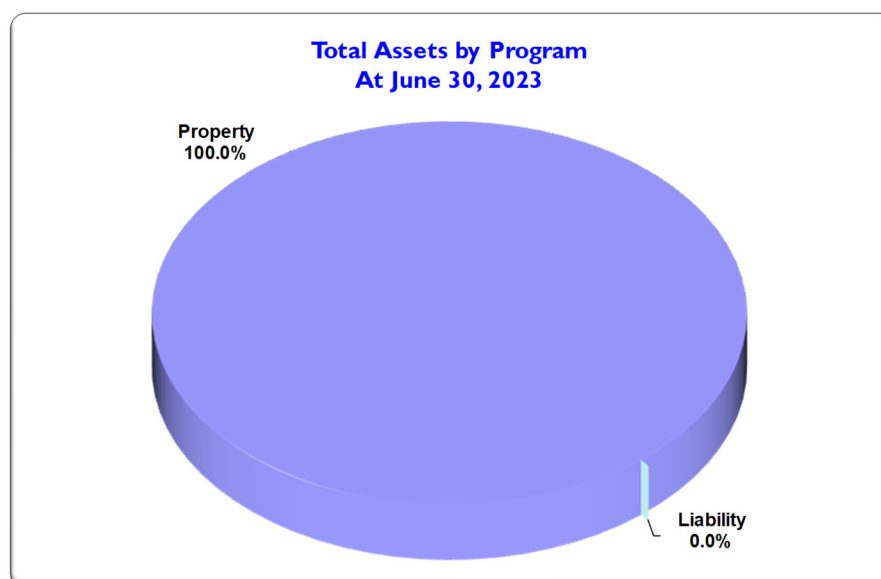
## Description of Basic Financial Statements

Individual program accounting is maintained by SPA in accordance with relevant Governmental Accounting Standards and accounting principles generally accepted in the United States of America. The Statement of Net Position provides information about the financial position of SPA as of June 30, 2022, and June 30, 2023. The Statement of Revenues, Expenses and Change in Net Position reports the operations of the organization for the year ended June 30, 2022, and the year ended June 30, 2023. The Statement of Cash Flows is presented using the direct method to report on the operations of SPA for the period ended June 30, 2022, and the year ended June 30, 2023, based on the inflow and outflow of cash.

Notes to the basic financial statements provide information on SPA's accounting policies such as the discounting of claims reserves, the development of estimates of Incurred But Not Reported (IBNR) liabilities and the provision for Unallocated Loss Adjustment Expenses (ULAE).

## Condensed Statement of Net Position

June 30,	2023	2022	2021
<b>Assets</b>			
Other assets	\$ 6,276,926	\$ 3,896,069	\$ 3,425,000
<b>Total assets</b>	<b>6,276,926</b>	<b>3,896,069</b>	<b>3,425,000</b>
<b>Liabilities</b>			
Other liabilities	2,936,022	1,001,016	32,019
<b>Total liabilities</b>	<b>2,936,022</b>	<b>1,001,016</b>	<b>32,019</b>
<b>Net Position</b>			
Unrestricted	3,340,904	2,895,053	3,392,981
<b>Net Position</b>	<b>\$ 3,340,904</b>	<b>\$ 2,895,053</b>	<b>\$ 3,392,981</b>



### Assets

Total assets at the close of the fiscal year are \$6.3 million. This is an increase of about \$2.4 million as a result of operations for the year. Assets are primarily comprised of cash and cash equivalents.

Annually SPA obtains an actuarial estimate for the self-insured loss layers with a reasonable expectation of actuarial liabilities related to the costs of claims that may or may not happen in that year. The JPA expects an accumulation of assets to include cash and investments for the future payments of claims.

### Liabilities

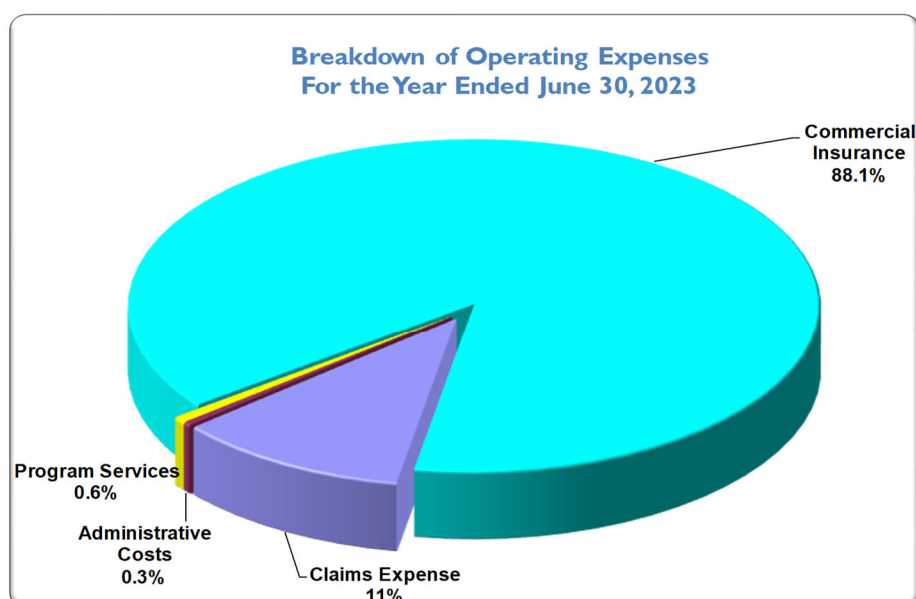
Total liabilities at the close of the fiscal year are about \$2.9 million. This is an increase of \$1.9 million over the prior year. About \$2.8 million of this is related to claims liabilities valued at the end of the fiscal year. This includes outstanding claim reserves of \$1.1 million and \$1.7 million of actuarial estimated liabilities, or IBNR (Incurred But Not Reported), are included in claims liabilities. The remainder of liabilities consist of nominal accounts payable to vendors and reimbursements due to members.

## Net Position

Net Position at the close of the fiscal year of operations is \$3.3 million. This is an increase of about \$445,000 from the prior year. Liabilities are up about \$1.9 million over last year, which includes a \$2.8 million increase in claim liabilities and a decrease in deferred contributions of about \$809,000. There are no capital assets or restricted amounts.

## Statement of Revenues, Expenses and Changes in Net Position

For the Years ended June 30,	2023	2022	2021
<b>Operating revenues</b>			
Member contributions, net	\$ 25,825,545	\$ 20,115,781	\$ 14,678,213
<b>Total operating revenues</b>	<b>25,825,545</b>	<b>20,115,781</b>	<b>14,678,213</b>
<b>Operating expenses</b>			
Provision for claims & claims adjustment expenses	2,776,851	2,273,725	-
Insurance premiums	22,399,545	18,139,676	11,253,213
Program services	160,600	115,175	32,019
General & administrative expenses	87,582	85,133	-
<b>Total operating expenses</b>	<b>25,424,578</b>	<b>20,613,709</b>	<b>11,285,232</b>
<b>Operating income</b>	<b>400,967</b>	<b>(497,928)</b>	<b>3,392,981</b>
<b>Non-operating revenue</b>			
Investment income	44,884	-	-
<b>Total non-operating income</b>	<b>44,884</b>	<b>-</b>	<b>-</b>
<b>Increase in net position</b>	<b>445,851</b>	<b>(497,928)</b>	<b>3,392,981</b>
<b>Net position, beginning of year</b>	<b>2,895,053</b>	<b>3,392,981</b>	<b>-</b>
<b>Net position, end of year</b>	<b>\$ 3,340,904</b>	<b>\$ 2,895,053</b>	<b>\$ 3,392,981</b>





## Contributions

Total member contributions for the fiscal year are \$25.8 million. This is an increase of \$5.7 million over the prior year. Contributions increases were driven by cost increases in the reinsurance markets. Member contributions include contributions for the property program of \$18.5 million, the liability program of \$6.8 million, and \$426,000 to cover planned program services and administrative costs. Contributions for each program are determined by the SPA Board based on approved rate and exposure factors.

The JPA incurred its first year of LAIF interest income which is \$44,884.

## Operating Expenses

### Provision for Claims Expense

Claims expense is a significant area of expenditure for SPA. During this third year, SPA claims reserves continue to increase, with claims expenses at \$2.8 million. Considering the increased reporting activity, actuarial liabilities (IBNR) were recognized by the JPA. The provision for claims expense is made up of two elements:

- 1) Actuarial estimate of the current year's claims,
- 2) Changes to the actuarial estimates of prior years' claims.

Because actual claim costs depend on several factors, such as claims management and current legislation; the actuarial estimations of ultimate claims costs for each claim year and program are adjusted annually. JPA's, such as SPA, are required to record these actuarial re-estimations of prior year claims expense in the current year.

### Insurance Premiums

Insurance premiums for the year, the largest area of expenditure, were \$22.4 million. This is an increase of \$4.3 million over the prior year. This is directly related to the increased cost of excess & reinsurance coverage in the current hard insurance market. To limit the possible risk SPA members would be responsible for, SPA purchases excess insurance or reinsurance for coverage levels above a self-insured retention (SIR) layer. The current self-insured retention layers per incident are:

- Property - \$3,000,000 annual aggregate pool retention.
- Liability – no retained layer

### Program Services

Program Services for the year were \$160,600. This is an increase over the prior year expenditures as additional loss control and appraisal activities are completed by the members. Program Services are coordinated by the Board for common services to cost-effectively benefit the loss control and appraisal activities of the members.

### General & Administrative Costs

General & administrative costs were \$87,582 for the year. This is a \$2,449 increase over the prior year.

This includes expenses for professional services, as well as compensation to the Managing Member to provide administrative services, including financial management, accounting, budget, and related services for SPA.

# Explanation of Budget to Actual Variances

## Budget to Actual Variance Analysis

For the Year ended June 30, 2023	Budget	Actual	Variance
<b>Operating revenues</b>			
Member contributions, net	\$ 24,591,941	\$ 25,825,545	\$ 1,233,604
<b>Total operating revenues</b>	<b>24,591,941</b>	<b>25,825,545</b>	<b>1,233,604</b>
<b>Operating expenses</b>			
Provision for claims & claims adjustment expenses	-	2,776,851	2,776,851
Insurance premiums	21,165,941	22,399,545	1,233,604
Program services	142,715	160,600	17,885
General & administrative expenses	75,000	87,582	12,582
<b>Total operating expenses</b>	<b>21,383,656</b>	<b>25,424,578</b>	<b>4,040,922</b>
<b>Operating income</b>	<b>3,208,285</b>	<b>400,967</b>	<b>(2,807,318)</b>
<b>Non-operating revenue</b>			
Investment income	-	44,884	-
<b>Total non-operating income</b>	<b>-</b>	<b>44,884</b>	<b>-</b>
<b>Increase in net position</b>	<b>3,208,285</b>	<b>445,851</b>	<b>(2,807,318)</b>
<b>Net position, beginning of year</b>	<b>2,933,556</b>	<b>2,895,053</b>	<b>-</b>
<b>Net position, end of year</b>	<b>\$ 6,141,841</b>	<b>\$ 3,340,904</b>	<b>\$ (2,800,937)</b>

### Contributions

Contributions were \$25.8 million and ended the year \$1.2 million over budget. Liability reinsurance purchase contributions were about \$1.4 million higher than originally expected, while property was about \$230,000 under budget. The Property Program self-insured retained layer budgeted for contributions of \$3 million and \$426,000 of program services contributions for loss control, appraisals, and JPA administrative costs.

### Provision for claims expense

SPA did not budget to experience any claim expenses for the year; however, a claim was realized that exceeded the retained layer. Further, based on actuarial analysis, additional provision for claims expense (IBNR) was recognized.

### Program services

Program services expenses incurred were \$160,600, which was \$17,885 higher than budgeted. SPA Members have started to take advantage of the cost-effective appraisal rates and other large groups negotiated loss control services.

### General & Administrative expenses

General & Administrative costs ended over budget by \$12,582 related to unanticipated professional services costs.

## Forecast

SPA continues to support its member JPAs through a “hard” market for both the Property and Liability programs. Schools and their supporting JPAs continue to experience great difficulty maintaining rates and negotiating premium renewals in the California market. Escalating wildfire and other extreme weather events, nuclear jury verdicts, and statutory changes including the passage of AB218, continue to drive up costs and lead to challenging coverage negotiations with excess and reinsurance carriers. Additionally, many insurance carriers, or “markets” are choosing to reduce capacity and/or cease writing business at all in California. Many JPAs are being challenged with rate increases based on exposure, not experience, and minimum premiums, rather than based on traditional and historical risk exposure measures.

The Property market has experienced several costly global catastrophes and multiple large wildfires in recent years. While the 2023 year was a better year for insurance carriers, they have not recovered from the recent significant loss events. Significant rate hikes continue to be experienced state-wide. Starting with 2020-2021 claim year, SPA was formed to allow member JPAs to combine in size and purchasing power to negotiate excess insurance purchases for the Property Program. In response to the global losses, many carriers are reducing their capacity to limit their available footprint for potential losses.

The steady uptick in Sexual and Molestation (SAM) claims and in punitive damage awards is having an increasingly detrimental impact on the severity and number of liability losses, which directly affect the excess insurance rates for the member JPA Liability programs (BASIC, CCSA, and SIA). The various JPAs’ excess coverage costs for their Liability programs continue to increase, while, at the same time, self-insured retentions are pressured to increase, with member retentions reaching \$2 million. Further, coverage limits are decreasing for members as a means to manage escalating costs. The insurance markets are, again, reacting by reducing capacity, providing aggregate limits, pushing for changing terms and other coverage restrictions.

In anticipation of continued 2022-2023 reinsurance market challenges for excess liability coverage, SPA program members BSSFP, NBSIA, and RESIG (participating as their existing JPA, BASIC), CCSA, and SIA continue to use the SPA JPA to consolidate purchasing power in liability reinsurance negotiations.

Our foreseeable forecast is for a continued hard market for these two programs, although the property market shows signs of potential softening. In addition, legislative changes are being watched carefully for any implications as it pertains to workers’ compensation or general liability exposures. SPA is a strategically placed JPA to assist member JPAs and schools in the future.

## BASIC FINANCIAL STATEMENTS

DRAFT



# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## STATEMENTS OF NET POSITION JUNE 30, 2023 AND 2022

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<b>ASSETS:</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
Current assets:		
Cash and cash equivalents	\$ 5,618,520	\$ 3,732,010
Cash held for others	-	112,954
Receivables	658,406	51,105
Total assets	<u>6,276,926</u>	<u>3,896,069</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	20,275	55,820
Deferred contributions	-	808,517
Due to others	115,171	-
Advances held for others	-	112,954
Unpaid claims and claims adjustment expenses	2,800,576	23,725
Total liabilities	<u>2,936,022</u>	<u>1,001,016</u>
<b>NET POSITION:</b>	<u>\$ 3,340,904</u>	<u>\$ 2,895,053</u>

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>OPERATING REVENUES:</b>		
Premium deposits from members	\$ 25,399,545	\$ 19,690,781
Administrative contributions	<u>426,000</u>	<u>425,000</u>
Total operating revenues	<u>25,825,545</u>	<u>20,115,781</u>
<b>OPERATING EXPENSES:</b>		
Insurance premiums	22,399,545	18,139,676
Provision for claims and claim adjustment expenses	2,776,851	2,273,725
Program services	160,600	115,175
Administrative expenses	86,014	85,133
Other expenses	<u>1,568</u>	<u>-</u>
Total operating expenses	<u>25,424,578</u>	<u>20,613,709</u>
Operating income (loss)	<u>400,967</u>	<u>(497,928)</u>
<b>NON-OPERATING REVENUES:</b>		
Interest and dividend income	<u>44,884</u>	<u>-</u>
Increase (decrease) in net position	445,851	(497,928)
Net position, beginning	<u>2,895,053</u>	<u>3,392,981</u>
Net position, ending	<u>\$ 3,340,904</u>	<u>\$ 2,895,053</u>

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from premium contributions and other income	\$ 25,218,244	\$ 20,224,011
Cash received and held for others	2,217	112,954
Cash received from interest income	44,884	-
Cash paid for claims	-	(2,250,000)
Cash paid for insurance and other expenses	(23,491,789)	(17,507,666)
Net cash provided by operating activities	<u>1,773,556</u>	<u>579,299</u>
Net increase in cash and cash equivalents	1,773,556	579,299
Cash and cash equivalents, beginning	<u>3,844,964</u>	<u>3,265,665</u>
Cash and cash equivalents, ending	<u>\$ 5,618,520</u>	<u>\$ 3,844,964</u>
<b>RECONCILIATION TO STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 5,618,520	\$ 3,732,010
Cash held for others	-	112,954
Cash and cash equivalents, ending	<u>\$ 5,618,520</u>	<u>\$ 3,844,964</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 400,967	\$ (497,928)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
(Increase) decrease in:		
Receivables	(607,301)	108,230
Increase (decrease) in:		
Accounts payable	(35,545)	23,801
Deferred contributions	(808,517)	808,517
Due to others	115,171	-
Advances held for others	(112,954)	112,954
Unpaid claims and claims adjustment expenses	<u>2,776,851</u>	<u>23,725</u>
Net cash provided by operating activities	<u>\$ 1,728,672</u>	<u>\$ 579,299</u>

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General

Schools Program Alliance Joint Powers Authority (SPA or the Authority) was established by a Joint Powers Agreement on June 1, 2020, for the operation of a common risk management and insurance program for member public agencies. The Authority's general objectives are to formulate, develop and administer, on behalf of the members, a program providing for indemnity coverage. As of June 30, 2023, the Authority had five members who participated in a self-insured Property program. Schools Insurance Authority (SIA) served as the Managing Member of SPA.

Effective July 1, 2021, the Authority purchased insurance for liability claims incurred on that date. The Authority will be responsible for funding any self-insured claims incurred from that date forward. Central California Schools Authority joined the liability program as of July 1, 2022.

#### Admission and Withdrawal

Any public agency or entity may apply for membership to the Authority. Membership must be approved by a three-quarters (3/4) vote of the Authority's Board of Directors. A Member may thereafter be expelled from SPA or any SPA Program, for any good faith and proper reason upon a vote of at least three-quarters (3/4) of the Board of Directors.

Any member of the Authority may withdraw from one or more contracting activities or its status as a member of SPA by notifying all members of the Authority in writing of its potential withdrawal prior to December 31 and shall provide a final written notice to all SPA members by March 1 of that fiscal year. A member withdrawing from the Authority shall continue to be responsible for the amount of any costs, liabilities, assessments, or contingencies required because of losses against the member and/or the Authority for the years within which the member participated. Absent unanimous consent of all members, a member withdrawing from a program or from SPA shall not be entitled to again participate in the program or in SPA for a period of three years following the withdrawal.

#### Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and the related liabilities are recognized when the obligation is incurred.

#### Cash Equivalents

Cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of three months or less.

#### Cash Held for Others

The Authority receives and disburses funds from excess insurers to be disbursed to members. These funds are considered restricted cash and are offset by a liability in the Authority's statements of net position.



# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### Provision for Unpaid Claims and Claim Adjustment Expenses

The Authority's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, and reinsurance recoverable on unpaid claims are deducted from the liability. The Authority increases the liability for allocated and unallocated claim adjustment expenses. Because actual claims costs depend on such complex factors as inflation, changes in doctrine of legal liability and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability and workers' compensation. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors, and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made.

### Self-Insurance

Members are individually responsible for the first \$250,000 of each non-wildfire property claim. Under "Retention A" of the Authority's Property Program, amounts in excess of \$250,000 per claim are covered from \$250,000, to an aggregate of \$1,000,000. Under "Retention B" of the Authority's Property Program, claims which exceed "Retention A" individually and in the aggregate are covered to a per-claim and aggregate maximum of \$2,000,000. For wildfire claims, members have varying member deductibles related to their wildfire exposure. Losses incurred in excess of member deductibles are ceded to reinsurance and excess insurance carriers.

### Revenue Recognition

Contributions are recognized as revenue when earned based upon the coverage period of the related insurance. To the extent that allocated losses exceed contributions previously paid and interest and other income, the Authority may assess its members additional premiums. Operating revenues and expenses include all activities necessary to achieve the objectives of the Authority.

### Income Taxes

The Authority is an organization comprised of public agencies and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 2. CASH AND CASH EQUIVALENTS

The Authority's cash is held on deposit with SIA, the managing member. Cash and cash equivalents in bank are stated at cost by SIA. The Authority's cash and cash equivalents as of June 30, 2023 and 2022 consisted of the following:

	<u>Rating</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents:			
Cash held by Schools Insurance Authority	Not rated	\$ 5,618,520	\$ 3,844,964

### 3. UNPAID CLAIMS AND CLAIM ADJUSTMENT EXPENSES

As discussed in Note 1, the Authority establishes a liability for both reported and unreported insured events for the respective programs. There were no claims in the liability line of service for the years ended June 30, 2023 and 2022. Therefore, claims activity reflects only the property line of service. The following represents changes in those aggregate liabilities during the year ended June 30:

	<u>2023</u>	<u>2022</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	\$ 23,725	\$ -
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	2,450,000	2,273,725
Change in provision for covered events of prior years	326,851	-
Total incurred claims and claim adjustment expenses	<u>2,776,851</u>	<u>2,273,725</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	-	2,250,000
Total payments	<u>-</u>	<u>2,250,000</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 2,800,576</u>	<u>\$ 23,725</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, and are as follows:

	<u>2023</u>	<u>2022</u>
Reported claims	\$ 1,116,141	\$ -
Claims incurred but not reported (IBNR)	1,684,435	23,725
Unallocated loss adjustment expenses (ULAE)	-	-
Total unpaid claims and claim adjustment expenses	<u>\$ 2,800,576</u>	<u>\$ 23,725</u>

Claims liabilities have been estimated at the amount of claims paid in the current year and consideration of any known future claims payments.

# **SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022**

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### **4. CONTINGENCIES**

The Authority is subject to legal proceedings which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of the Authority.

### **5. RELATED PARTY TRANSACTIONS**

Schools Insurance Authority (SIA) is the managing member of SPA. For the years ended June 30, 2023 and 2022, SIA paid total contributions of \$4,815,741 and \$8,332,030 to SPA, respectively. Contributions from SIA held to be recognized in a future period were \$0 and \$808,517 for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022 SPA paid a total of \$75,000 to SIA for administrative services. In addition, the cash held by SIA on behalf of SPA totaled \$5,618,520 and \$3,844,964 as of June 30, 2023 and 2022, respectively.

## REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## PROPERTY PROGRAM CLAIMS DEVELOPMENT INFORMATION JUNE 30, 2023

For the policy year ended June 30	<u>2021</u>	<u>2022</u>	<u>2023</u>
1. Premiums and investment revenue:			
Earned	\$ 14,253,213	\$ 14,892,428	\$ 18,548,952
Ceded	<u>(11,253,213)</u>	<u>(13,341,323)</u>	<u>(15,548,952)</u>
Net earned	<u>\$ 3,000,000</u>	<u>\$ 1,551,105</u>	<u>\$ 3,000,000</u>
2. Unallocated expenses	\$ 32,019	\$ 200,308	\$ 248,182
3. Estimated incurred claims and expenses, end of policy year:			
Incurred	\$ 10,000,000	\$ 2,273,725	\$ 2,450,000
Ceded	<u>(10,000,000)</u>	<u></u>	<u></u>
Net incurred	\$ -	\$ 2,273,725	\$ 2,450,000
4. Paid (cumulative) as of:			
End of policy year	\$ -	\$ 2,250,000	\$ -
One year later	-	2,250,000	
Two years later	-		
5. Reestimated ceded losses and expenses	\$ -	\$ -	\$ -
6. Reestimated incurred claims and expense:			
End of policy year	\$ -	\$ 2,273,725	\$ 2,450,000
One year later	-	2,564,276	
Two years later	36,300		
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	\$ 36,300	\$ 290,551	\$ -

# SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2023

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### 1. CLAIMS DEVELOPMENT INFORMATION

The table on page 17 illustrates how the Authority's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Authority as of the end of each of the last ten years. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned contribution and investment revenues, less dividends paid and contribution revenue ceded to reinsurers, and net earned contribution and investment revenues.
2. Each fiscal year's other operating costs of the Authority including overhead and claims expenses not allocable to individual claims.
3. The Authority's gross incurred claims and claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued), excluding ULAE, as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
4. Cumulative amounts paid as of the end of successive years for each policy year.
5. The latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. Policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. Compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

## SCHOOLS PROGRAM ALLIANCE

### Communications With Those Charged With Governance

*Submitted by*  
**Gilbert CPAs**

We have audited the financial statements of Schools Program Alliance (SPA) for the year ended June 30, 2023. We are providing SPA's Board of Directors with information regarding the scope and results of the audit to assist the Board in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board and management of SPA and is not intended to be, and should not be, used by anyone other than these specified parties. The following pages summarize these required communications.

Month \_\_, 2023

## RESPONSIBILITIES AND OPINION

<p><b>Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS).</b></p> <p>The financial statements are the responsibility of management. As stated in our engagement letter, our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p>	<p>We issued an unmodified opinion on the financial statements of SPA for the years ended June 30, 2023 and 2022.</p>
<p><b>Required Supplementary Information</b></p> <p>Government Accounting Standards Board (GASB) requires certain supplementary information to accompany the SPA's basic financial statements to be in conformity with generally accepted accounting principles. Such information has been subjected to limited procedures such as inquiries of management about the methods of preparing the information for consistency with the basic financial statements, however, we do not express an opinion because of the limited nature of our procedures.</p>	<p>The following required supplementary information is required to accompany the SPA's basic financial statements and subjected to limited procedures, but no opinion has been expressed:</p> <ul style="list-style-type: none"> <li>• Management's Discussion and Analysis Claims Development Information</li> </ul>

## INTERACTIONS WITH MANAGEMENT

<p><b>Management Consultations with Other Independent Accountants</b></p> <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SPA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><b>Disagreements with Management</b></p> <p>For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.</p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><b>Management Representations</b></p>	<p>We have requested certain representations from management that are included in their letter to us.</p>
<p><b>Difficulties Encountered in Performing the Audit</b></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit. Management and staff were well prepared and cooperative.</p>



## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

<b>Significant Accounting Policies</b>  Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	<p>The significant accounting policies used by SPA are described in Note 1 to the financial statements.</p> <p>We noted no transactions entered into by SPA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p>
<b>Management Judgments and Accounting Estimates</b>  Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.  We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. In addition, the related financial statement disclosures are neutral, consistent, and clear.	<p>The most sensitive estimates affecting the SPA's financial statements were:</p> <ul style="list-style-type: none"> <li>• Management's estimate of claims liabilities is based on actuarial projections.</li> <li>• Management's estimate of the collectability of receivables is based on Management's assessment of the likelihood of receivable payments on individual accounts.</li> </ul>

## RESULTS OF THE AUDIT

<b>Planned Scope and Timing of the Audit</b>	We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.
<b>Significant Risks Identified by the Auditor</b>  In order to design appropriate audit procedures in accordance with GAAS, the engagement team is required to perform a risk assessment during its audit planning process.	<p>The following significant risks of material misstatement presumed by the auditing standards were incorporated into our audit plan:</p> <ul style="list-style-type: none"> <li>• Management override of controls.</li> </ul> <p>As part of our audit planning process, we identified the following additional significant risks of material misstatement which were addressed by our audit procedures:</p> <ul style="list-style-type: none"> <li>• Valuation of claims liabilities</li> </ul>
<b>Other Audit Findings or Issues</b>	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the SPA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
<b>Significant Adjustments or Disclosures Not Reflected in the Financial Statements</b>  Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.	No significant adjustments or omitted disclosures were identified during our audit.

Item No: F.2.

**PROPOSED BUDGET FY 24/25****ACTION ITEM****ISSUE:** SPA Proposed Budget is provided for approval.**RECOMMENDATION:** Review, accept and file, or provide direction.**FISCAL IMPACT:** Creation of a spending plan.

**BACKGROUND:** SPA members' annual contributions provide for 1) a Property Program, and 2) a Liability Program of excess insurance purchases, for the benefit of the member districts/JPA's. The JPA Board approves insurance purchases and sets policy direction for administrative expenses which are purchased in support of the members. The Schools Insurance Authority functions as the Managing Member per the JPA agreement. The Managing Member receives and disburses funds, signs contracts, and otherwise manages the financial operations of SPA.

At the inception of the SPA JPA, budgets for SIA Admin, Loss Control and Appraisals were developed. Budgeted revenues and matching expenses for Loss Control and SIA Admin were based on a TIV allocation as approved by the Board on the Contribution Allocation Exhibit schedule developed by Alliant. Appraisal budgets are based on projected appraisal costs unique to each member.

Draft budget assumptions were presented to the SPA Board in May for consideration. The attached Budget Assumptions are now presented as the Proposed Budget for 2024/25 program year.

**Budget Recommendation:**

- Revenues - Retained Layer, Loss Control, SIA Admin and appraisal revenues are budgeted at the same levels as last year to be allocated amongst the members
- Expenses – Professional services, Board Member activities and SIA admin expenses are budgeted similar to last year. Loss control funds will be budgeted/spent as expenses are approved.
- Excess Insurance premiums and costs will be budgeted based on final quotes and allocation methodology, once approved by the Board.

**RECOMMENDATION:**

- Approve the Budget Recommendations, pending final Excess/Re-insurance quotes (liability & property) and the Contribution Allocation Exhibit to be finalized by Alliant, all per Board approval.

**ATTACHMENTS:** Budget Assumptions follows

## SPA Budget Assumptions 2024-25

	Budget Item	Amount	Comments & Recommendations
Revenues	Retained Layer Deposit	\$ 3,000,000	Continue to fully fund the retained layer. Allocation consistent with funding model/allocation to be approved**.
	Excess/Re-insurance Contributions	unknown	Pending quotes. Budget proposal per final quotes/binding. Allocation consistent with funding allocation to be approved.
	Admin Contribution - SIA Admin	\$ 75,000	Roll forward, no change. Allocation pending.**
	Admin Contribution - Loss Control	\$ 200,000	Consider budget amount and usage. Suggest fund again @\$200K with allocation consistent and pending**.
	Admin Contribution - Appraisal	\$ 152,000	Roll forward current year budget. Individual allocation consistent with prior.
	Admin Contribution - Prof & Board	\$ 30,000	Roll forward current year budget. Allocation pending.**
Expenses	Claims Expense	\$ -	Projection too speculative to make.
	Insurance Premiums	unknown	Pending quotes. Budget per final quotes/binding.
	Professional Services*	\$ 26,000	Roll forward current year budget. Allocation pending**.
	Board Member Activities*	\$ 4,000	Roll forward current year budget. Allocation pending**.
	SIA Admin Expense	\$ 75,000	Roll forward current year budget. Allocation pending**.
	Loss Control	\$ -	Will be recorded as determined by JPA & member decisions.
	Appraisals	\$ 390,000	SIA only
Equity	Net Position 6/30/24	\$ 5,850,000	Considering claim reserves/loss run through 12/31/2024 and projecting revenues & expenses through 6/30/24.

Item No: F.3.

## **CLAIMS TASK FORCE UPDATE**

### **INFORMATION ITEM**

**ISSUE:** The Task Force met by Zoom on May 28, with SPA members, including new Task Force member Olivia Nelson of SIA, Bob Frey, and Dan Madej of Alliant in attendance.

All members have now provided loss runs in the desired format and we expect a much easier time in compiling the 6/30/24 loss run data for actuary and accounting purposes. The latest SPA and member loss runs were reviewed for exposure to the SPA and excess layers.

The Pioneer fire with SIA has settled for a total of \$3.1M, an amount not including upgrades related to new construction. North Bay has two fairly recent claims, one of which has just breached the SPA layer and one involving an electrical fire and potential for subrogation. Butte has no open claims reportable to SPA.

McClarens has indicated they are still waiting for responses from SIG members for information related to the Tahoe District snow removal claims. Members discussed their frustration with this response and delay, including the lack of written communication and coverage position.

Members discussed the role of McClarens and the need for a review at the August meeting. Property program service instructions were also discussed and examples solicited from the group to include in a future draft for SPA. The current policy describes the process for payment and dispute resolution but no details for claims management standards.

**RECOMMENDATION:** Review and provide feedback regarding the Task Force summary.

**FISCAL IMPACT:** None expected from this item.

**BACKGROUND:** Members have formed a task force to identify and provide suggestions to resolve bottlenecks in the claims adjustment process, including achieving consensus on replacement cost and timely processing of proofs of loss and payments.

**ATTACHMENTS:** None

Item No: F.4.

**ALLIANT DEADLY WEAPONS RESPONSE PROGRAM FY 24/25****ACTION ITEM**

**ISSUE:** Deadly Weapons Coverage was offered to members for the first time in FY 20/21 and continues to be offered for FY 24/25. The coverage provides a \$500,000 per claim limit with a \$2,500,000 pool aggregate and sublimits for property damage and business interruption, crisis management services, funeral services and counseling services, per the attached summary. The deductible is \$10,000 Each Event including Claims Expenses. *The event must occur at a location on a member's Schedule of Values.*

The Deadly Weapons Response insurance is primary for property and business interruption, coverages also provided by APIP, but it extends coverage to include benefits to those impacted by an event, including crisis counseling, medical and funeral expenses, and Accidental Death and Dismemberment coverage. The premium for SPA members is \$136,150.14 which shows a decrease of \$4,842.07 from the prior year (\$140,922.21)

**RECOMMENDATION:** Review and discuss option and decide on participation.

**FISCAL IMPACT:** SPA's premium is \$136,150.14

**BACKGROUND:** This type of insurance, often labeled "Active Shooter" Coverage, is the result of the need for specific coverage and services in the aftermath of a covered event or attack.

**ATTACHMENT(S):**

1. Deadly Weapons Coverage Option Summary



## Schools Program Alliance

**2024 - 2025**

# Alliant Deadly Weapon Response Program (ADWRP) Proposal

Issued on May 20, 2024

Alliant Insurance Services, Inc  
18100 Von Karman Avenue 10<sup>th</sup> Floor  
Irvine, CA 92612  
O (949) 756-0271  
CA License No. 0C36861

[www.alliant.com](http://www.alliant.com)

## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL

<b>INSURED</b>	Schools Program Alliance
<b>INSURANCE COMPANY:</b>	Underwriters at Lloyd's of London
<b>LLOYD'S CONSORTIUM:</b>	Deadly Weapon Protection Consortium 9779 Comprising 100%: 50.0000% Lloyd's Syndicate 2623 AFB 10.9800% Lloyd's Syndicate 0623 AFB 12.2000% Lloyd's Syndicate 4472 LIB 12.2000% Lloyd's Syndicate 1969 APL 07.3100% Lloyd's Syndicate 1301 IGO 07.3100% Lloyd's Syndicate 1686 AXS
<b>A.M. BEST RATING:</b>	A (Excellent) XV; Greater than \$2,000,000,000
<b>STANDARD AND POOR'S RATING:</b>	A+, Strong Financial Security
<b>STATE LICENSE STATUS:</b>	Non-Admitted
<b>POLICY TERM:</b>	July 1, 2024 – July 1, 2025
<b>COVERAGE FORM:</b> <b>COVERAGE TYPE:</b>	Claims Made & Reported Third Party Bodily Injury Liability, First Party Property Damage, Business Interruption & Crisis Management for events occurring at a location appearing on your Schedule of Values on file with Alliant Insurance Services, Inc.
<b>LIMITS:</b> Each and Every Deadly Weapon Event including Claim Expenses Annual Aggregate (Shared by Members of Pool/JPA)	\$ 500,000  \$ 2,500,000
<b>RETENTION:</b>	\$10,000 Each and every Deadly Weapon Event including Claims Expenses
<b>RETROACTIVE DATE:</b>	7/1/2022
<b>PRE-EVENT SERVICES (OPTIONAL):</b>	<ul style="list-style-type: none"><li>• Deadly Weapon Protection Webinars</li><li>• Deadly Weapon Post-Underwriting Consultation</li></ul>



## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL – CONTINUED

### SUB-LIMITS:

(Each Sublimit is part of the Overall Limit of Liability and not in addition to it)

\$ 500,000	1 <sup>st</sup> Party Property Damage – Each and every event
\$ 250,000	Crisis Management Services - specified in endorsement
\$ 250,000	Crisis Management Services – unspecified
\$ 250,000	Counseling Services (\$15,000 per person maximum)
\$ 250,000	Funeral Expenses (\$15,000 per person maximum)
\$ 250,000	Business Interruption
\$ 250,000	Demo/Clearance/Memorialization
\$ 250,000	Extra Expense
\$ 250,000	Threat
\$ 500,000	Transit Extension – Bus, Coach, Train owned by insured and reported to Alliant
\$ 25,000	Per Person for Medical Expenses with a \$500,000 annual aggregate
\$ 50,000	Per Person Deadly Weapon Death and Dismemberment with a \$500,000 annual aggregate
Included	Circumstantial Costs for Prevention Services (\$0 Deductible)

### ENDORSEMENTS: (Including But Not Limited To)

- Crisis Management Services
- Circumstance Extension
- Property Damage Extension
- Counselling Services
- Funeral Expenses
- Short Rate Cancellation Table
- Premium Payment Clause
- Reinsurers Liability Clause
- Lloyd's Privacy Policy
- Sanction Limitation & Exclusion Clause
- Notice of Terrorism Insurance Coverage
- Business Interruption (*if applicable*)
- Automatic Acquisitions limit – locations up to \$25,000,000
- 90 day grace period for reporting of new locations
- **NEW 2024:** Events hosted on insured property with 2,500 people or more are excluded, unless approved by underwriting and additional premium may be charged



## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL – CONTINUED

### ENDORSEMENTS - CONTINUED:

(Including But Not Limited To)

### EXCLUSIONS:

(Including But Not Limited To)

- Offsite events coverage for K-12 School insureds (Field Trips) only – No Liability coverage applies.
- E&O clause – to cover locations not exceeding \$10,000,000 in value unintentionally not included in SOV provided to insurer
- Crisis Management/Event Responder Fees *do not erode policy limits*
- Crisis Services Provided by **CrisisRisk:**  
<https://www.crisisrisk.com/>
- Confiscation, nationalization, requisition or destruction of or damage to property by government, public or local authority
- Loss of market, loss of use or any other consequential loss at property physically lost or damaged
- Euthanasia
- Fraudulent Claims
- Any actual or alleged negligent act, error, omission, misstatement, misleading statement, neglect or breach of duty by the Directors or Officers, in the discharge of their duties solely in their capacity as Directors or Officers of the Named Insured
- Any vehicle not defined as a road vehicle
- Any weapon mounted (or designed to be mounted) on a vehicle
- Any weapon, device or substance delivered by an airborne weapon delivery system including, but not limited to, fixed wing aircraft, helicopter or drone

## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL – CONTINUED

### EXCLUSIONS - CONTINUED:

(Including But Not Limited To)

- Injury or death to any employees of any third party whom the Named insured has contracted for services.
- Any claim or claims made by or on behalf of an Assailant.
- Use or operation as a means to inflict harm of any computer, computer system, computer software, malicious code, computer virus or any other electronic system.
- Workers Compensation
- Employment Practices
- Ionizing radiations or contamination by radioactivity from nuclear waste or fuel
- Radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor, assembly or component
- Mercy Killing(s)
- Cross Suits
- Strikes, labor unrest, riots or civil commotion
- Suicide
- War, insurrection, civil commotion
- Mental injury or mental anguish related claim where no Bodily Injury occurred to claimant (Except as included by endorsement for counselling services)
- Any weapon or device employing atomic or nuclear fission, fusion or other like reaction or force or matter
- Loss, injury or damage caused by or resulting from Named Insured's recklessness or deliberate misconduct
- Chemical, biological, bio-chemical or electromagnetic weapon
- Nuclear reaction, radiation or contamination, however caused
- Any Pollutant or Contaminant however introduced or arisen
- **NEW 2024:** Swatting and any other fictitious event or hoax

## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL – CONTINUED

### **EXCLUSIONS - CONTINUED:**

(Including But Not Limited To)

- Property Damage in care, custody or control of Named Insured or person under contract (except as maybe provided by the 1<sup>st</sup> Party Property coverage)
- Punitive or exemplary damages, sanctions or additional damages
- COVID19
- Any Deadly Weapon Event that occurs at a Location(s) which has been specifically leased or loaned by the Named Insured to any other entity or individual to host a permitted event planned and ticketed for more than 500 attendees over the duration of the event, except with the prior written agreement of the Underwriters. Agreement to add any event as covered may incur additional premium.

### **ADDITIONAL EXCLUSIONS RELATING TO PROPERTY & BUSINESS INTERRUPTION:**

(Including But Not Limited To)

- Land or land values
- Aircraft, watercraft or any vehicle licensed for highway use
- Animals
- Money, currency, checks, coins, stamps, securities, valuable papers, evidences of debt, precious stones, precious metals (unless forming an integral part of Insured Property), jewelry, furs, fine arts and antiques
- Electronic data
- Any property in Transit
- Increase in loss caused by suspension, lapse, cancellation of any lease, license, contract or order, unless loss results directly from the insured Interruption of Business
- Fines, penalties or damages incurred by or imposed upon the Named Insured at order of any Government Agency, Court or other Authority

## ALLIANT DEADLY WEAPON RESPONSE PROGRAM (ADWRP) PROPOSAL – CONTINUED

<b>ANNUAL PREMIUM:</b>	<div><div>\$131,954.00</div><div>Premium</div></div> <div><div>\$ 3,958.62</div><div>Surplus Lines Taxes</div></div> <div><div>\$ <u>237.52</u></div><div>Surplus Lines Fees</div></div> <div><div><b>\$136,150.14</b></div><div><b>Total Cost</b></div></div>
<b>DEFENSE INSIDE/OUTSIDE THE LIMITS:</b>	Inside
<b>MINIMUM EARNED PREMIUM:</b>	25% Minimum Earned Premium
<b>PROPOSAL VALID UNTIL:</b>	No expiry date, however, insurers may withdraw it at any time without notice.
<b>CLIENT SCHEDULE TOTAL:</b>	\$19,082,369,765
<b>SUBJECTIVITIES:</b>	<ul style="list-style-type: none"><li>Completed and Signed Request to Bind Coverage Form (See last page)</li><li>Completed and Signed Surplus Lines Document(s) (If applicable)</li><li>Complete Schedule of Values on file to share with the carrier.<ul style="list-style-type: none"><li>If the binding Schedule of Values fluctuates by 20% in either direction than what was quoted the premium may be adjusted.</li></ul></li><li>No known or reported losses or incidents likely to give rise to a claim over the last 12 months.</li><li>Payment is required 20 days prior to the settlement due date of 60 days from inception to enable us to pay insurers in a timely manner. If payment is not received by insurers on this date they may issue notice of cancellation of coverage. In the event of cancellation for non payment of premium, the time on risk premium will be due and payable, calculated at pro rata from inception to the date cancellation is effective.</li></ul>

**See Disclaimer Page for Important Notices and Acknowledgement**

## Disclosures

This proposal of insurance is provided as a matter of convenience and information only. All information included in this proposal, including but not limited to personal and real property values, locations, operations, products, data, automobile schedules, financial data and loss experience, is based on facts and representations supplied to Alliant Insurance Services, Inc. by you. This proposal does not reflect any independent study or investigation by Alliant Insurance Services, Inc. or its agents and employees.

Please be advised that this proposal is also expressly conditioned on there being no material change in the risk between the date of this proposal and the inception date of the proposed policy (including the occurrence of any claim or notice of circumstances that may give rise to a claim under any policy which the policy being proposed is a renewal or replacement). In the event of such change of risk, the insurer may, at its sole discretion, modify, or withdraw this proposal, whether or not this offer has already been accepted.

This proposal is not confirmation of insurance and does not add to, extend, amend, change, or alter any coverage in any actual policy of insurance you may have. All existing policy terms, conditions, exclusions, and limitations apply. For specific information regarding your insurance coverage, please refer to the policy itself. Alliant Insurance Services, Inc. will not be liable for any claims arising from or related to information included in or omitted from this proposal of insurance.

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.alliant.com](http://www.alliant.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, 6th 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 Poor's 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).

Our goal is to procure insurance for you with underwriters possessing the financial strength to perform. Alliant does not, however, guarantee the solvency of any underwriters with which insurance or reinsurance is placed and maintains no responsibility for any loss or damage arising from the financial failure or insolvency of any insurer. We encourage you to review the publicly available information collected to enable you to make an informed decision to accept or reject a particular underwriter. To learn more about companies doing business in your state, visit the Department of Insurance website for that state.

## New York Regulation 194

Alliant Insurance Services, Inc. is an insurance producer licensed by the State of New York. Insurance producers are authorized by their license to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers. The role of the producer in any particular transaction typically involves one or more of these activities.

Compensation will be paid to the producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance contract(s) the purchaser selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance contract(s) and the insurer(s) the purchaser selects. In some cases, other factors such as the volume of business a producer provides to an insurer or the profitability of insurance contracts a producer provides to an insurer also may affect compensation.

The insurance purchaser may obtain information about compensation expected to be received by the producer based in whole or in part on the sale of insurance to the purchaser, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the producer, by requesting such information from the producer.

## Privacy

At Alliant, one of our top priorities is making sure that the information we have about you is protected and secure. We value our relationship with you and work hard to preserve your privacy and ensure that your preferences are honored. At the same time, the very nature of our relationship may result in Alliant's collecting or sharing certain types of information about you in order to provide the products and services you expect from us. Please take the time to read our full Privacy Policy posted at [www.alliant.com](http://www.alliant.com), and contact your Alliant service team should you have any questions.

## Other Disclosures/Disclaimers

### FATCA

The Foreign Account Tax Compliance Act (FATCA) requires the notification of certain financial accounts to the United States Internal Revenue Service. Alliant does not provide tax advice so please contact your tax consultant for your obligation regarding FATCA.

### NRRA

*(Applicable if the insurance company is non-admitted)*

The Non-Admitted and Reinsurance Reform Act (NRRA) went into effect on July 21, 2011. Accordingly, surplus lines tax rates and regulations are subject to change which could result in an increase or decrease of the total surplus lines taxes and/or fees owed on this placement. If a change is required, we will promptly notify you. Any additional taxes and/or fees must be promptly remitted to Alliant Insurance Services, Inc.

### Guarantee Funds

Established by law in every state, guaranty funds are maintained by a state's insurance commissioner to protect policyholders in the event that an insurer becomes insolvent or is unable to meet its financial obligations. *If your insurance carrier is identified as 'Non-Admitted', your policy is not protected by your state's Guaranty Fund.*

## Other Disclosures / Disclaimers - Continued

### Claims Reporting

Your policy will come with specific claim reporting requirements. Please make sure you understand these obligations. Contact your Alliant Service Team with any questions.

### Claims Made Policy

*(Applicable to any coverage that is identified as claims made)*

This claims-made policy contains a requirement stating that this policy applies only to any claim first made against the Insured and reported to the insurer during the policy period or applicable extended reporting period. Claims must be submitted to the insurer during the policy period, or applicable extended reporting period, as required pursuant to the Claims/Loss Notification Clause within the policy in order for coverage to apply. Late reporting or failure to report pursuant to the policy's requirements could result in a disclaimer of coverage by the insurer.

Any Employment Practices Liability (EPL) or Directors & Officers (D&O) with EPL coverage must give notice to the insurer of any charges / complaints brought by any state / federal agency (i.e. EEOC and similar proceedings) involving an employee. To preserve your rights under the policy, it is important that timely notice be given to the insurer, whether or not a right to sue letter has been issued.

### Changes and Developments

It is important that we be advised of any changes in your operations, which may have a bearing on the validity and/or adequacy of your insurance. The types of changes that concern us include, but are not limited to, those listed below:

- Changes in any operations such as expansion to another state, new products, or new applications of existing products.
- Travel to any state not previously disclosed.
- Permanent operations outside the United States, Canada or Puerto Rico.
- Mergers and/or acquisition of new companies and any change in business ownership, including percentages.
- Any newly assumed contractual liability, granting of indemnities or hold harmless agreements.
- Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, etc. Also, any new premises either purchased, constructed or occupied
- Circumstances which may require an increased liability insurance limit.
- Any changes in fire or theft protection such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to the system.
- Immediate notification of any changes to a scheduled of equipment, property, vehicles, electronic data processing, etc.
- Property of yours that is in transit, unless previously discussed and/or currently insured.

## Certificates / Evidence of Insurance

A Certificate or Evidence is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not affirmatively or negatively amend, extend or alter the coverage afforded by a policy, nor does it constitute a contract between the issuing insurer(s), authorized representative, producer or recipient.

You may have signed contracts, leases or other agreements requiring you to provide this evidence. In those agreements, you may assume obligations and/or liability for others (Indemnification, Hold Harmless) and some of the obligations that are not covered by insurance. We recommend that you and your legal counsel review these documents.

In addition to providing a Certificate or Evident of Insurance, you may be required to name your landlord, client or customer on your policy as a loss payee on property insurance or as an additional insured on liability insurance. This is only possible with permission of the insurance company, added by endorsement and, in some cases, an additional premium.

By naming the certificate holder as additional insured, there are consequences to your risks and insurance policy including:

- Your policy limits are now shared with other entities; their claims involvement may reduce or exhaust your aggregate limit.
- Your policy may provide higher limits than required by contract; your full limits can be exposed to the additional insured.
- There may be conflicts in defense when your insurer has to defend both you and the additional insured.
- An additional insured endorsement will most likely not provide notification of cancellation. Some insurance companies use a “blanket” additional insured endorsement that provides coverage automatically when it is required in a written contract. Most insurance companies do not want to be notified of all additional insureds when there is a blanket endorsement on the policy. If a notice of cancellation is required for the additional insured party, you must notify us immediately and we will request an endorsement from your insurance company. There may be an additional premium for adding a notice of cancellation endorsement for an additional insured.

***See Request to Bind Coverage page for acknowledgment of all disclaimers and disclosures.***



## Optional Coverages

The following represents a list of insurance coverages that may not be included in this proposal but are optional and may be available with further underwriting information. This list is not inclusive of all coverages and if you have questions contact your Alliant representative. If you would like addition quotes please check Yes/No across from the coverage below, sign and return.

Servicer - Remove any coverage lines that are currently insured.

### Target Coverages

	Yes	No
<b>CRIME</b>		
Employee Dishonesty	<input type="checkbox"/>	<input type="checkbox"/>
Computer Fraud	<input type="checkbox"/>	<input type="checkbox"/>
Social Engineering	<input type="checkbox"/>	<input type="checkbox"/>
Increased Limits	<input type="checkbox"/>	<input type="checkbox"/>
<b>CYBER RISK</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>MANAGEMENT LIABILITY</b>		
Directors & Officers Liability	<input type="checkbox"/>	<input type="checkbox"/>
Employment Practices Liability	<input type="checkbox"/>	<input type="checkbox"/>
Fiduciary Liability	<input type="checkbox"/>	<input type="checkbox"/>
<b>UMBRELLA / EXCESS LIABILITY</b> (Increased Liability Limits)	<input type="checkbox"/>	<input type="checkbox"/>
Selecting the "Reject All or Accept All" option will override any selections you have made above	<input type="checkbox"/> Reject All <input type="checkbox"/> Accept All for Consideration	

\_\_\_\_\_  
Signature of Authorized Insurance Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed / Typed Name

## Other Coverage Options

Note some of these coverages may be included with limitations or insured elsewhere. This is a partial listing as you may have additional risks not contemplated here which are unique to your organization.

- Business Income/Extra Expense
- Earthquake
- Employed Lawyers
- Employee Benefits Liability
- Equipment Breakdown
- Food Borne Illness
- Foreign Insurance
- Garagekeepers Liability
- Hired Auto Physical Damage
- Kidnap & Ransom
- Law Enforcement Liability
- Media and Publishers Liability
- Network Security / Privacy Liability and Internet Media Liability
- Non-Owned & Hired Automobile Liability
- Pollution Liability
- Owned/Non-Owned Aircraft
- Owned Watercraft
- Professional Liability
- Property in Transit
- Property of Others (Clients, Employees, Other)
- Special Events Liability
- Spoilage
- Student Accident
- Volunteer Accidental Death & Dismemberment (AD&D)
- Workers Compensation & Employers Liability
- Workplace Violence

## Glossary of Insurance Terms

Below are links to assist you in understanding the insurance terms you may find within your insurance policies:

<http://insurancecommunityuniversity.com/university-resources/insurance-glossary-free>

<http://www.ambest.com/resource/glossary.html>

<http://www.irmi.com/online/insurance-glossary/default.aspx>

## Request to Bind Coverage

### Schools Program Alliance

We have reviewed the proposal and agree to the terms and conditions of the coverages presented.

We are requesting coverage to be bound as outlined by coverage line below:

Coverage Line	Annual Premium	Bind	Decline
<b>DEADLY WEAPON RESPONSE PROGRAM</b>			
<b>Limit \$500,000 Annual Aggregate (Shared by Members of Pool/JPA) \$2,500,000</b>	<b>\$136,150.14</b>	<input type="checkbox"/>	<input type="checkbox"/>

*This Authorization to Bind Coverage also acknowledges receipt and review of all disclaimers and disclosures, including exposures used to develop insurance terms, contained within this proposal.*

_____ <b>Signature of Authorized Insurance Representative</b>	_____ <b>Date</b>
_____ <b>Title</b>	
_____ <b>Printed / Typed Name</b>	

**This proposal does not constitute a binder of insurance. Binding is subject to final carrier approval. *The actual terms and conditions of the policy will prevail.***

## **IMPORTANT NOTICE:**

- 1. The insurance policy that you are applying to purchase is being issued by an insurer that is not licensed by the State of California. These companies are called “nonadmitted” or “surplus line” insurers.**
- 2. The insurer is not subject to the financial solvency regulation and enforcement that apply to California licensed insurers.**
- 3. The insurer does not participate in any of the insurance guarantee funds created by California law. Therefore, these funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.**
- 4. The insurer should be licensed either as a foreign insurer in another state in the United States or as a non-United States (alien) insurer. You should ask questions of your insurance agent, broker, or “surplus line” broker or contact the California Department of Insurance at the toll-free number 1-800-927-4357 or internet website [www.insurance.ca.gov](http://www.insurance.ca.gov). Ask whether or not the insurer is licensed as a foreign or non-United States (alien) insurer and for additional information about the insurer. You may also visit the NAIC’s internet website at [www.naic.org](http://www.naic.org). The NAIC—the National Association of Insurance Commissioners—is the regulatory support organization created and governed by the chief insurance regulators in the United States.**
- 5. Foreign insurers should be licensed by a state in the United States and you may contact that state’s department of insurance to obtain more information about that insurer. You can find a link to each state from this NAIC internet website: [https://naic.org/state\\_web\\_map.htm](https://naic.org/state_web_map.htm).**

**6. For non-United States (alien) insurers, the insurer should be licensed by a country outside of the United States and should be on the NAIC's International Insurers Department (IID) listing of approved nonadmitted non-United States insurers. Ask your agent, broker, or "surplus line" broker to obtain more information about that insurer.**

**7. California maintains a "List of Approved Surplus Line Insurers (LASLI)." Ask your agent or broker if the insurer is on that list, or view that list at the internet website of the California Department of Insurance: [www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm](http://www.insurance.ca.gov/01-consumers/120-company/07-lasli/lasli.cfm).**

**8. If you, as the applicant, required that the insurance policy you have purchased be effective immediately, either because existing coverage was going to lapse within two business days or because you were required to have coverage within two business days, and you did not receive this disclosure form and a request for your signature until after coverage became effective, you have the right to cancel this policy within five days of receiving this disclosure. If you cancel coverage, the premium will be prorated and any broker's fee charged for this insurance will be returned to you.**

**Date: \_\_\_\_\_**

**Insured: \_\_\_\_\_**

Item No: F.5.

## **APPOINTMENT OF MANAGING MEMBER AND CHAIRPERSON**

### **ACTION ITEM**

**ISSUE:** Each year at the June meeting pursuant to the governing documents, the SPA Board of Directors appoints a Managing Member organization and a Board of Directors Chairperson for the coming fiscal year. Schools Insurance Authority currently serves as the Managing Member organization and Martin Brady currently serves as SPA Board of Directors Chairperson.

**RECOMMENDATION:** It is recommended that the SPA Board of Directors appoint a Managing Member organization and a Board of Directors Chairperson effective July 1, 2024.

**FISCAL IMPACT:** None.

**BACKGROUND:** None.

**PUBLICATION:** The SPA website at [spajpa.org](http://spajpa.org) will be updated accordingly.

**ATTACHMENTS:** None.



## Schools Program Alliance

*c/o Alliant Insurance Services*

*Corporation Insurance License No. 0C36861*

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

Board of Directors Teleconference Meeting

June 10, 2024

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Item No: G.1.

### **EXCESS LIABILITY PROGRAM RENEWAL**

#### **ACTION ITEM**

**ISSUE:** The Board will receive information regarding the Excess Liability Program.

**RECOMMENDATION:** None.

**FISCAL IMPACT:** None.

**BACKGROUND:** Newfront is currently exploring options to purchase additional supplemental (or sideways) aggregate to shore up existing aggregate limits quoted and will present those as soon as possible.

**ATTACHMENTS:** None.

Item No: H.1.

**VACANCY PERMIT MEMBER UPDATE****ACTION ITEM**

**ISSUE:** Two SPA Vacancy Permit Request have been received for review and consideration by the Board. SPA Members to also update Program Administrator of Vacant Property initiative with members.

**RECOMMENDATION:** SPA Board to review Vacancy Permits and determine approval or rejection.

**FISCAL IMPACT:** Unknown.

**BACKGROUND:** SPA is underwritten as a program consisting mostly of highly protected property risks. Unexpectedly large losses happen at vacant locations cause significant impact to SPA's ability to secure coverage and the cost of coverage. The cost of such losses is shared among all the members and remain in the loss rating calculus for 5 years.

Vacant or unoccupied structures face a higher risk of loss. The Board has previously agreed to limit coverage on vacant structures to \$500,000 which should be sufficient for minor repairs or demolition/debris removal to secure a vacant structure impacted by a covered loss. A member district that can show a vacant location is adequately protected will be eligible for an increased limit subject to the SPA Board of Directors approval.

**ATTACHMENT(S):**

1. BSSP – Paradise Brakebill – SPA Vacancy Permit Request
2. RESIG – Windsor – SPA Vacancy Permit Request





## **SPA VACANCY PERMIT REQUEST**

The SPA Property Program, effective July 1, 2024, containing a Vacant Property sublimit for any properties falling under that definition in the Memorandum of Coverage (MOC).

For properties that are able to mitigate the higher risk associated with a Vacant Property, via security and risk management measures, SPA will issue a Vacancy Permit confirming the sublimit has been removed.

### **Criteria to apply for a Vacancy Permit:**

The criteria a property must demonstrate and confirm is as follows:

a. Confirmation that regular and routine maintenance is being performed;

Answer: Maintenance is performed on a needed basis.

b. Confirmation that documented site inspections no less than once a month;

Answer: Yes

c. Confirmation that minimum protective safeguards, such as sprinkler systems and burglar alarm systems are maintained in full service;

Answer: Burglar alarm and Cameras interior and exterior

d. Confirmation that perimeter doors and windows are locked and secured;

Answer: Yes

e. Confirmation that security guards patrol the property 24-hours per day;

Answer: Cameras monitor the property 24 hours a day

f. Confirmation that hazardous or combustible material are removed.

Answer: Yes

G. Confirmation that the measures above will be kept in place until the time the property does not fall under the Vacant Property definition in the MOC.

Answer: Yes

**Timing:**

A completed Request should be submitted 30 days prior to the property being considered a Vacant Property.

SPA will have 10 business days to respond, including asking additional questions.

If a Vacancy Permit is issued, SPA will release it within 5 business days of the approval notification.

**Additional Information needed to submit this request:**

Address of Property(ies) for which a Vacancy Permit is being requested:

7881 Gypsum Street  
Stirling City, CA 95978

Person and role of submitter of this request:

Jake Timm, PUSD Director of Facilities, Maintenance and Operations

Signature:





## Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 460, Sacramento, CA 95815

### SPA VACANCY PERMIT REQUEST

**Effective July 1, 2024**, the SPA Program will apply a \$500,000.00 **Vacant Property sublimit** for any properties meeting that definition in the SPA Memorandum of Coverage (MOC). Following is the definition in the MOC:

*Real Property, whose construction code calls for occupancy, that is not occupied by the member of the Named Insured and does not contain Business Personal Property in a sufficient amount to conduct normal operations. A property will be considered a vacant property if not occupied for 90 consecutive calendar days.*

*Vacant Property does not include a structure that is intended for future use on an occupied, active site.*

For properties that are able to mitigate the higher risk associated with a Vacant Property, via security and risk management measures, SPA will issue a Vacancy Permit confirming the sublimit has been removed. The Vacancy Permit will be an endorsement to the SPA MOC and designate the amount of coverage for the structure. **Coverage will only apply if the identified security and risk management measures are maintained up to and through the time of loss.**

#### **Criteria to qualify for a Vacancy Permit:**

Please answer yes or no to the following questions:

- a. Is regular and routine maintenance is being performed?

Answer:    Yes                      No

- b. Are documented site inspections conducted no less than once a month?

Answer:    Yes                      No

- c. Minimum protective safeguards, such as sprinkler systems and burglar alarms are maintained in full service? – describe \_\_\_\_\_

Answer:    Yes                      No

- d. Perimeter doors and windows are locked and secured?

Answer:    Yes                      No

- e. Security guards patrol the property, not necessarily always on site but periodically during a 24-hour period, each day?

Answer:    Yes                      No

- f. All hazardous or combustible material has been removed?

Answer:    Yes                      No

- g. Confirmation your organization's understanding and acceptance that the measures above will be kept in place until the property no longer falls under the Vacant Property definition in the MOC or the limit is \$500,000?

Answer:    Yes                      No



**Notice and Timing:**

A completed Request should be submitted 30 days prior to the property needing a Vacancy Permit. SPA will respond within 10 business days of receiving a completed Request. If a Vacancy Permit is issued, SPA will release it within 5 business days of the approval notification.

Send requests and notices of any changes to: [michelle.minnick@alliant.com](mailto:michelle.minnick@alliant.com) and [jenna.wirkner@alliant.com](mailto:jenna.wirkner@alliant.com)

**Additional Information needed to submit this request:**

Address of Property(ies) for which a Vacancy Permit is being requested:

The undersigned authorized officer/manager of the applicant declares that the statements set forth herein are true. The undersigned authorized officer/manager agrees that if the information supplied on this application changes after completion, they (undersigned) will notify SPA as soon as practicable of such changes, and SPA may withdraw or modify any outstanding quotations and/or authorizations or agreements to provide coverage.

Signing of this application does not bind the applicant or SPA to complete the coverage, but it is agreed that this application shall be the basis of the contract should a vacancy permit be issued.

All written statements and materials furnished to SPA in conjunction with this application are hereby incorporated by reference into this application and made a part hereof.

Person and role of submitter of this request:

Signature:

*Austin Matzaganian*

Date:

Item No: H.2.

## **COVERAGE LIMITATION AT JULY 1, 2024 PROPERTY PROGRAM RENEWAL – REMOTE AND HIGH RISK LOCATIONS**

### **ACTION ITEM**

**ISSUE:** SPA Board to (1) review the ad hoc committee's recommendations on the final list of locations for Remote and High Risk exposures and (2) review the revised MOC language for this item (Brought back with changes from the May Board Meeting).

**RECOMMENDATION:** It is recommended that the Board approve the proposed list of locations to be subject to the coverage limitation, unless there are any disputes raised, as well as the proposed Memorandum of Coverage items associated with item.

**FISCAL IMPACT:** The proposed changes would likely reduce the cost of some property losses in the future and thereby reduce insurance costs.

**BACKGROUND: (this section is unchanged from the previous agenda)** SPA is underwritten as a program consisting mostly of highly protected property risks. Unexpectedly large losses happen at undervalued locations cause significant impact to SPA's ability to secure coverage and the cost of coverage. The cost of such losses is shared among all the members and remain in the loss rating calculus for 5 years.

SPA has seen over \$15 million of reported losses at locations that are exposed to wildfire. These tend to be single site districts as well which exacerbates the cost of the loss. The Program Administrator is recommending a plan along the following lines:

- Modify the existing margin clause for valuation of properties that applies currently only to all BSSFP property. Instead, apply a margin clause for all SPA member locations deemed high risk based on modeling. The margin clause would apply only to scheduled locations and limit Real and Personal Property loss to no more than 125% of reported value.
- Add an ordinance and law/increased cost of construction (ICC) limitation for these scheduled locations that limits the total amount of ICC to 100% of the reported value or the policy ICC sublimit of \$10 million – whichever is lower. This limitation would apply to requirements of the Department of the State Architect (DSA) and any other requirements, such as those in the California Education Code or regulations.

Note – while wildfire loss modeling along with remote locations or single site districts with high loss characteristics would be the point of initiating and underwriting review for scheduling a

location for this coverage limitation, **the limitation would apply for all causes of loss, not just wildfire.**

SPA has experienced significant losses due to wildfire at locations significantly undervalued for replacement cost and that incurred substantial increased cost of construction due to increased costs of reconstruction due to code and ordinance and requirements of the Department of the State Architect or California Education Code or regulations. Losses from wildfire that include near or total loss of a location have been shown to incur higher cost than would normally be anticipated. Rather than exclude these locations entirely, the Program Administrator recommends limiting coverage to preserve some level of insurability.

Under the Program Administrator's proposal, a school location that is specifically scheduled by endorsement for this coverage location would be subject to a recovery that may be below full replacement value. The following example shows how the coverage limitation would be applied:

- Reported Total Insured Value for scheduled location = \$4 million
- Maximum recovery at 125% of reported Value = \$5 million
- Maximum additional recovery for increased cost of construction, extra expense, etc. at 100% of reported value = \$4 million
- Total insurance proceeds for loss at scheduled location = \$9 million.

**ATTACHMENTS:** Select MOC pages (i.e., revised Increased Cost of Construction article from May board meeting)

Note: The revised endorsement, with actual locations, will be provided after the June 7<sup>th</sup> ad hoc committee meeting but before the June 10<sup>th</sup> board meeting.



## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

\$250,000 per occurrence for all other members.

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

### High Hazard Flood

\$500,000 per occurrence in respect of locations situated wholly or partially within a Special Flood Hazard Area (SFHA), areas as defined by the Federal Emergency Management Agency (FEMA).

- Service Interruption:

Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours. When the waiting period has expired, insurance will apply excess of the applicable deductible.

- Boiler and Machinery Breakdown: USD100,000 per occurrence
- Boiler & Machinery, Flood and Wildfire losses do not contribute to the erosion of SPA's Self-Named Insured Retentions.
- Terrorism (Including Sabotage): \$10,000 per occurrence. Ingress/Egress 12 hours

Other than Wildfire, 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.

### 4. COVERED LOCATIONS

Locations listed in the schools program alliance statement of values on file with Alliant Insurance Services, Inc. as of July 2024.

### 5. FORMS AND ENDORSEMENTS

It is understood and agreed the following forms and endorsements are attached to and are a part of this policy:

SPA MEMORANDUM OF COVERAGE (ED. 07 21)

SECTION IX - ENDORSEMENT NO. 1 - TERRORISM (INCLUDING SABOTAGE) SUB-LIMITS OF LIABILITY

ENDORSEMENT NO. 1 - COVERAGE TERRITORY ENDORSEMENT

ENDORSEMENT NO. 2 - WAR AND TERRORISM EXCLUSION ENDORSEMENT

ENDORSEMENT NO. 3 - COMMUNICABLE DISEASE ENDORSEMENT

**ENDORSEMENT NO. 4 - VALUES LIMITATION CLAUSE**

ENDORSEMENT NO. 5 - AMENDMENTS TO THE MOC WORDING (London only)

ENDORSEMENT NO. 6 - PROPERTY CYBER AND DATA ENDORSEMENT (London only)



## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

In the event of physical damage to property insured by a covered peril, this MOC is extended to cover the cost of demolishing any undamaged portion of the covered property including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this MOC and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition.

### 10. INCREASED COST OF CONSTRUCTION

In the event of physical damage to property insured by a covered peril, this MOC is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local or state ordinance, law or regulator having control over construction plans/approvals including, but not limited to, written guidelines used by the Division of State Architect and the California Department of Education in regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within 6 months after such a loss occurs, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

### 11. DECONTAMINATION COSTS

Notwithstanding the provisions of any exclusion contained herein or any provision respecting pollution and/or contamination, if property insured is contaminated as a result of direct physical loss, damage or destruction by a peril insured by this MOC and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollutants or contaminants, this MOC insures, as a result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated property insured in a manner to satisfy such law or ordinance. This provision applies only to that part of insured property contaminated as a result of insured direct physical loss, damage or destruction by a peril insured by this MOC.

### 12. ERRORS & OMISSIONS

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice the Named Insured's right of recovery but will be reported to the Company as soon as practicable when discovered. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E of this form. This extension does not increase any more specific limit stated elsewhere in this MOC or Declaration.

### 13. VALUABLE PAPERS

This MOC is extended to cover Valuable Papers or the cost to reconstruct valuable papers (including but not limited to research, redrawing or duplicating) physically lost or damaged by a peril insured against during the term of this MOC.

### 14. TRANSIT





## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

### ENDORSEMENT NO. 4 VALUES LIMITATION CLAUSE

The cost allocation for this MOC is based upon the schedule of values reported to and on file with SPA and its reinsurance underwriters. In the event of any covered loss under this MOC, the liability of SPA (and the reinsurance underwriters) relative to property damage and time element loss, as covered by this MOC, shall, notwithstanding anything contained herein to the contrary, be limited to the least of the following:

- (a) The actual adjusted amount of the loss within the coverage of the MOC, less applicable deductible(s).
- (b)
  - (1) for property damage loss, 125% of the total property values for each location
  - (2) for time element loss, as insured by this MOC, 125% of the time element values for each location
  - (3) for Increased Cost of Construction, 100% of the total property values for each location

Sections (1) - (3) above are based on the most current reported schedule of values for each location, less applicable deductible(s).

- (c) The MOC limit of liability or applicable sub-limit(s) of liability, less applicable deductible(s).

The above provisions will apply to the listed locations in the table below:

#### **ADD TABLE**

All other terms and conditions remain unchanged.



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**A. POLICY NUMBER:** ~~SPA2-23~~SPA-24-25

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**B. NAMED INSURED:** Schools Program Alliance

**C. MAILING ADDRESS OF NAMED INSURED**

Schools Program Alliance  
c/o Schools Insurance Authority  
9800 Old Placerville Road  
Sacramento, CA 95827

Named Insured shall be deemed the sole agent of each and every Named Insured for the purpose of:

- (1) Giving notice of cancellation,
- (2) Giving instructions for changes in the Policy and accepting changes in this Policy
- (3) The payment of assessments / premiums or receipt of return assessments / premiums.

Member(s), entity(ies), agency(ies), organization(s), enterprise(s) and/or individual(s)  
for whom the Named Insured has extended coverage is as follows:

**NAMED INSURED MEMBER(S):**

Schools Insurance Authority  
Butte Schools Self-Funded Programs  
North Bay Schools Insurance Authority  
Redwood Empire Schools' Insurance Group  
Schools Insurance Group

**D. POLICY PERIOD**

From July 1<sup>st</sup>, ~~2023~~2024 to July 1<sup>st</sup>, ~~2024~~2025, beginning and ending at 12:01 AM

**E. COVERAGE TERRITORY**

The United States, its territories and possessions and Puerto Rico, including their respective coastal waters.

**F. LIMITS OF LIABILITY**

Subject to specific exclusions, modifications, and conditions hereinafter provided, the liability of the Company in any one occurrence regardless of whether one or more of the coverages of this Policy are involved shall not exceed:



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**1. LIMIT OF LIABILITY**

\$125,000,000\* Per Occurrence: all Perils, Coverages (subject to policy exclusions) and all Named Insureds (as defined in the policy) combined, per Declaration, regardless of the number of Named Insureds, Coverages, extensions of coverage, or perils insured, subject to the following per Occurrence and/or aggregate sub-limits as noted below.

\*Except USD 100,000,000 in respect of Butte Schools Self-Funded Programs

**2. SUB-LIMITS OF LIABILITY**

The following sub-limits of liability apply per occurrence unless indicated otherwise. Coverage is provided only if a sub-limit of liability is shown below for that item and does not increase the specific limits of liability. The absence of a sub-limit of liability amount below means that no coverage is provided for that item.

\$50,000,000	Combined Business Interruption, Rental Income, Tax Interruption and Tuition income (and related fees)
\$500,000	Contingent Business Interruption
\$30,000,000	Extra Expense
<b>No coverage provided</b>	Per occurrence, as respects Vehicle Damage
\$5,000,000	Per occurrence, as respects Mobile Equipment
\$10,000,000	Per occurrence, and in the annual aggregate as respects the peril of flood, inclusive of Zone A sublimit below
\$5,000,000	Per occurrence, and in the annual aggregate as respects the peril of flood in FEMA designated Special Flood Hazard Areas Zones A or V (SFHA) to be determined at the time of loss
<b>No coverage provided</b>	Per occurrence, and in the annual aggregate as respects the peril of earthquake shock
Included	Per occurrence, as respects the peril of earthquake sprinkler leakage
\$25,000,000	Debris Removal
\$2,500,000	Decontamination Costs
\$25,000,000	Miscellaneous Unscheduled Property
Included	Automatic Acquisition subject to the values of such additional property and/or interests not exceeding \$25,000,000 (not including habitational risks)
\$2,500,000	Outdoor Property, except \$50,000 max per item for Trees, Shrubs, Plants



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

Included	Electronic Data Processing Equipment and Hardware (refer to Endorsement No. 4)
\$10,000,000	Electronic Data Processing Data and Media – Physical Damage Only (refer to LMA5400))
<b>No coverage provided</b>	Cyber Act (refer to LMA5400)
\$25,000,000	Errors & Omissions
Included	Course of Construction, projects which exceed \$25,000,000 are subject to underwriting approval, prior to binding (not including habitational risks)
<b>No coverage provided</b>	New habitational risk, including teacher housing (must be submitted for review and approval)
\$500,000	Builders Risk Property at Temporary Storage Location
\$500,000	Builders Risk, Property in Transit
\$1,000,000	Contractor's Equipment
\$5,000,000	Soft Costs
\$2,500,000	Scheduled and Unscheduled Fine Arts (as more fully defined herein)
\$1,000,000	Accidental Contamination
\$1,000,000	Unscheduled Tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless specific values for such items have been reported as part of a member(s) / entity(ies) schedule of values held on file with this company, excluding Federal Emergency Management Agency (F.E.M.A.) and/or any State Office of Emergency Services (O.E.S.) declared disasters
Included	Demolition and Increased Cost of Construction due to the enforcement of building codes / ordinance or law
\$10,000,000	Transit including Free Onboard Shipments
\$2,500,000	Fire Fighting Expenses
\$25,000,000	Off premises services interruption including extra expense resulting from a covered peril at non-owned/operated location(s)



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

\$1,000,000	Claim Preparation Expenses
Included	Expediting Expense
No coverage provided	Terrorism
\$1,000,000	Personal Property of Students and Teachers, except \$10,000 any one item
\$10,000,000	Accounts Receivable
\$10,000,000	Valuable Papers and Records
\$500,000	Leasehold Interest
\$2,500,000	Asbestos Cleanup and Removal
\$2,500,000	Mold & Fungus
\$100,000	Reimbursement or Master Key Costs
\$2,500,000	Upgrade to Green
<b>No coverage provided</b>	Money and Securities
<b>No coverage Provided</b>	Communicable Disease
180 Days	Extended Period of Indemnity
\$2,500,000	Interruption by Civil or Military Authority, not to exceed 30 days (10 mile radius)
\$2,500,000	Ingress or Egress, not to exceed 30 days (10 mile radius)

**\$500,000** Vacant Property, unless member holds a Vacant Property Endorsement

**BOILER AND MACHINERY SUB-LIMITS OF LIABILITY:**

\$125,000,000	Boiler Explosion and Machinery Breakdown (USD 100,000,000 in respect of Butte Schools Self-Funded Programs)
Included	Jurisdictional and Inspections
Included	Business Income Coverage Extension (BI)
Included	Extra Expense Coverage Extension (BI)



## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

180 Days Included	Extended Period of Indemnity Spoilage Damage Coverage Extension including Utility Interruption Spoilage (SD & Refrigerant Contamination), Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours
\$2,500,000	Off Premises Service Interruption including Service, Utility and Power, Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours
\$3,000,000	Dependent Property Coverage Extension – All Direct Suppliers Dependent Property Locations; and Receivers
\$10,000,000	Expediting Expense
\$10,000,000	Hazardous Substances, Pollutants, Decontamination
\$10,000,000	Ordinance or Law including Demolition and Increased Cost of Construction
Included	Per Occurrence for Machine or Apparatus used for Research, Diagnosis, Medication, Surgical, Therapeutic, Dental or Pathological

### TERRORISM (INCLUDING SABOTAGE) SUB-LIMITS OF LIABILITY

\$50,000,000	Per Occurrence and in the Aggregate
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The above limits are provided per Occurrence, regardless of the number of SPA Members involved in the Occurrence.

### 3. DEDUCTIBLES

**Basic Deductible:** \$250,000 per occurrence, which will apply in the event a more specific deductible is not applicable to a loss.

**Retention A** – Excess of the basic deductible: \$250,000, Additional Self-Insured Retention per occurrence and \$1,000,000 in the annual aggregate which in turn

**Retention B** – Excess of Retention A: \$2,000,000 Self-Insured Retention per occurrence and in the annual aggregate;

Except as follows:

#### Wildfire

\$5,000,000 per occurrence in respect of Butte Schools Self-Funded Programs

\$2,500,000 per occurrence in respect of Redwood Empire Schools' Insurance Group

\$250,000 per occurrence for all other members.



## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

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

### High Hazard Flood

\$500,000 per occurrence in respect of locations situated wholly or partially within a Special Flood Hazard Area (SFHA), areas as defined by the Federal Emergency Management Agency (FEMA).

- Service Interruption:

Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours. When the waiting period has expired, insurance will apply excess of the applicable deductible.

- Boiler and Machinery Breakdown: USD100,000 per occurrence
- Boiler & Machinery, Flood and Wildfire losses do not contribute to the erosion of SPA's Self-Named Insured Retentions.
- Terrorism (Including Sabotage): \$10,000 per occurrence. Ingress/Egress 12 hours

Other than Wildfire, 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.

### 4. COVERED LOCATIONS

Locations listed in the schools program alliance statement of values on file with Alliant Insurance Services, Inc. as of July ~~2023~~2024.

### 5. FORMS AND ENDORSEMENTS

It is understood and agreed the following forms and endorsements are attached to and are a part of this policy:

SPA MEMORANDUM OF COVERAGE (ED. 07 21)

SECTION IX - ENDORSEMENT NO. 1 - TERRORISM (INCLUDING SABOTAGE) SUB-LIMITS OF LIABILITY

ENDORSEMENT NO. 1 - COVERAGE TERRITORY ENDORSEMENT

ENDORSEMENT NO. 2 - WAR AND TERRORISM EXCLUSION ENDORSEMENT

ENDORSEMENT NO. 3 - COMMUNICABLE DISEASE ENDORSEMENT

**ENDORSEMENT NO. 4 - VALUES LIMITATION CLAUSE IN RESPECT OF BUTTE SCHOOLS SELF FUNDED PROGRAMS ONLY**

ENDORSEMENT NO. 5 - AMENDMENTS TO THE MOC WORDING (London only)

ENDORSEMENT NO. 6 - PROPERTY CYBER AND DATA ENDORSEMENT (London only)

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**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**6. AUTHORIZED SIGNATURE:**

A handwritten signature in blue ink, appearing to read 'MB', is positioned above a horizontal line.

Marcus Beverly, Program Manager





SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS

**Schools Program Alliance**  
A California Joint Powers Authority

**Memorandum of Coverage (MOC)**

July 1, ~~2023~~2024 to July 1,  
~~2024~~



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**2025**



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

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**SECTION I - GENERAL PROVISIONS**

**A. COVERAGE AGREEMENT**

In consideration of the premium paid by the Named Insured to the Company, the Company agrees to cover the following per the terms and conditions herein.

**B. NAMED INSURED**

As shown on the Declaration page, or as listed in the Declaration Schedule Addendum attached to this MOC.

Member(s), entity(ies), agency(ies), organization(s), enterprise(s) and/or individual(s) for whom the Named Insured is required or has agreed to provide coverage, or as so named in the "Named Insured Schedule" on file with Alliant Insurance Services, Inc., as their interests may appear which now exist or which hereafter may be created or acquired and which are owned, financially controlled or actively managed by the herein named interest, all jointly, severally or in any combination of their interests, for account of whom it may concern, are covered within the limits provided to the individual Named Insured.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as Insured's for their respective rights and interests, it being understood that the inclusion hereunder of more than one covered party shall not serve to increase the Company's limit of liability. Mortgagees to whom certificates of coverage have been issued are covered hereunder as Insured's in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or equivalent as required by the mortgagee.

**C. MAILING ADDRESS OF COMPANY**

Schools Program Alliance  
c/o Schools Insurance Authority  
9800 Old Placerville Road  
Sacramento, CA 95827

**D. MOC PERIOD**

From July 1<sup>st</sup>, ~~2023~~2024 to July 1<sup>st</sup>, ~~2024~~2025, beginning and ending at 12:01 AM

**E. COVERAGE TERRITORY**

The United States, its territories and possessions and Puerto Rico, including their respective coastal waters.



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**F. LIMITS OF LIABILITY**

Subject to specific exclusions, modifications, and conditions hereinafter provided, the liability of the Company in any one occurrence regardless of whether one or more of the coverages of this MOC are involved shall not exceed:

**1. LIMITS OF LIABILITY**

The Specific Limits of Liability as described in the Declaration Page apply per occurrence unless indicated otherwise.

**2. SUB-LIMITS OF LIABILITY**

The following sub-limits of liability are provided as described in the Declaration Page and apply per occurrence unless indicated otherwise. Coverage is provided only if a sub-limit of liability is shown in the Declaration Page for that item, and do not increase the specific limits of liability. The absence of a sub-limit of liability amount in the Declaration Page means that no coverage is provided for that item.

\$125,000,000	Limit of Liability except USD 100,000,000 in respect of Butte Schools Self-Funded Programs
\$50,000,000	Combined Business Interruption, Rental Income, Tax Interruption and Tuition income (and related fees)
\$500,000	Contingent Business Interruption
\$30,000,000	Extra Expense
No coverage	Per occurrence, as respects Vehicle Damage provided
\$5,000,000	Per occurrence, as respects Mobile Equipment
\$10,000,000	Per occurrence, and in the annual aggregate as respects the peril of flood, inclusive of Zone A sublimit below
\$5,000,000	Per occurrence, and in the annual aggregate as respects the peril of flood in FEMA designated Special Flood Hazard Areas Zones A or V (SFHA) to be determined at the time of loss
No Coverage provided	Per occurrence, and in the annual aggregate as respects the peril of earthquake shock
Included	Per occurrence, as respects the peril of earthquake sprinkler leakage
\$25,000,000	Debris Removal





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\$2,500,000	Decontamination Costs
\$25,000,000	Miscellaneous Unscheduled Property
Included	Automatic Acquisition, subject to the values of such additional property and/or interests not exceeding \$25,000,000 (not including habitational risks)
\$2,500,000	Outdoor Property, except \$50,000 max per item for Trees, Shrubs, Plants
Included	Electronic Data Processing Equipment and Hardware
\$10,000,000	Electronic Data Processing Data and Media – Physical Damage Only
\$25,000,000	Errors & Omissions
Included	Course of Construction (projects which exceed \$25,000,000 are subject to underwriting approval, prior to binding) (not including habitational risks)
No Coverage Provided	New habitational risk, including teacher housing (must be submitted for review and approval)
\$500,000	Builders Risk Property at Temporary Storage Location
\$500,000	Builders Risk, Property in Transit
\$1,000,000	Contractor's Equipment
\$5,000,000	Soft Costs
\$2,500,000	Scheduled and Unscheduled Fine Arts (as more fully defined herein)
\$1,000,000	Accidental Contamination
\$1,000,000	Unscheduled Tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless specific values for such items have been reported as part of a member(s) / entity(ies) schedule of values held on file with this company, excluding Federal Emergency Management Agency (F.E.M.A.) and/or any State Office of Emergency Services (O.E.S.) declared disasters
Included	Demolition and Increased Cost of Construction due to the enforcement of building codes / ordinance or law
\$10,000,000	Transit including Free Onboard Shipments
\$2,500,000	Fire Fighting Expenses



# SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

\$25,000,000	Off premises services interruption including extra expense resulting from a covered peril at non-owned/operated location(s)
\$1,000,000	Claim Preparation Expenses
Included	Expediting Expense
\$1,000,000	Personal Property of Students and Teachers, except \$10,000 any one item
\$10,000,000	Accounts Receivable
\$10,000,000	Valuable Papers and Records
\$500,000	Leasehold Interest
\$2,500,000	Asbestos Cleanup and Removal
\$2,500,000	Mold & Fungus
\$100,000	Reimbursement or Master Key Costs
\$2,500,000	Upgrade to Green
No Coverage provided	Money and Securities
No Coverage provided	Communicable Disease
180 Days	Extended Period of Indemnity
\$2,500,000	Interruption by Civil or Military Authority, not to exceed 30 days (10 mile radius)
\$50,000	Unreal Property, unless covered under a separate policy from SPA
\$2,500,000	Ingress or Egress, not to exceed 30 days (10 mile radius) BOILER AND MACHINERY SUB-LIMITS OF LIABILITY
\$125,000,000	Boiler Explosion and Machinery Breakdown except USD 100,000,000 in respect of Butte Schools Self-Funded Programs
Included	Jurisdictional and Inspections
Included	Business Income Coverage Extension (BI)
Included	Extra Expense Coverage Extension (BI)

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**SCHOOLS PROGRAM ALLIANCE  
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180 Days	Extended Period of Indemnity
Included	Spoilage Damage Coverage Extension including Utility Interruption Spoilage (SD & Refrigerant Contamination), Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours
\$2,500,000	Off Premises Service Interruption including Service, Utility and Power, Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours
\$3,000,000	Dependent Property Coverage Extension – All Direct Suppliers Dependent Property Locations; and Receivers
\$10,000,000	Expediting Expense
\$10,000,000	Hazardous Substances, Pollutants, Decontamination
\$10,000,000	Ordinance or Law including Demolition and Increased Cost of Construction
Included	Per Occurrence for Machine or Apparatus used for Research, Diagnosis, Medication, Surgical, Therapeutic, Dental or Pathological

**TERRORISM (INCLUDING SABOTAGE) SUB-LIMITS OF LIABILITY**

\$50,000,000	Per Occurrence and in the Aggregate
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The above limits are provided per Occurrence, regardless of the number of SPA Members involved in the Occurrence.

**G. DEDUCTIBLE PROVISIONS**

**Basic Deductible:** \$250,000 per occurrence, which will apply in the event a more specific deductible is not applicable to a loss.

**Retention A** – Excess of the basic deductible: \$250,000, Additional Self-Insured Retention per occurrence and \$1,000,000 in the annual aggregate which in turn

**Retention B** – Excess of Retention A: \$2,000,000 Self-Insured Retention per occurrence and in the annual aggregate;

Except as follows:

**Wildfire**

\$5,000,000 per occurrence in respect of Butte Schools Self-Funded Programs

\$2,500,000 per occurrence in respect of Redwood Empire Schools' Insurance Group

\$250,000 per occurrence for all other members.



## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

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

### **High Hazard Flood**

\$500,000 per occurrence in respect of locations situated wholly or partially within a Special Flood Hazard Area (SFHA), areas as defined by the Federal Emergency Management Agency (FEMA).

- Service Interruption:

Coverage is provided when the duration of the interruption is in excess of twenty four (24) hours. When the waiting period has expired, insurance will apply excess of the applicable deductible.

- Boiler and Machinery Breakdown: USD100,000 per occurrence
- Boiler & Machinery, Flood and Wildfire losses do not contribute to the erosion of SPA's Self-Named Insured Retentions.
- Terrorism (Including Sabotage): \$10,000 per occurrence. Ingress/Egress 12 hours

Other than Wildfire, 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.

Deductibles are shown on the Declaration Page, or by endorsement and may vary by SPA Member

Unless a more specific deductible is applicable for a particular loss, the \$250,000 Basic Deductible shown above, shall apply per occurrence. The company will not pay for loss or damage in any one occurrence until the amount of the loss or damage exceeds the applicable deductible.

"Vehicle Physical Damage deductible" - if Off-Premises coverage is included/purchased, the stated deductible will apply to vehicle physical damage both on and off premises on a per occurrence basis, unless otherwise stated. If "Off-Premises" coverage is not included, On-Premises/In-Yard coverage is subject to the All Risk "Basic Deductible".

## **H. UNIT OF COVERAGE DEFINED**

In the application of the Earthquake Shock, or specified Wind deductibles, in accordance with the provisions of this MOC, each of the following shall be considered a Separate Unit of Coverage:

1. Each Separate Building or Structure;
2. The Contents of each Building or Structure;
3. Applicable Time Element Coverage of each separate Building or Structure; and
4. Property in each Yard.



**SCHOOLS PROGRAM ALLIANCE  
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The Company shall not be liable for loss to any Unit of Coverage covered hereunder unless such loss exceeds the percentages stated in this MOC of the replacement values of such Unit of Coverage at the time when such loss shall happen, and then only for its proportion of such excess.

**I. PRIORITY OF PAYMENTS**

In the event of loss caused by or resulting from more than one peril or coverage, the limit of liability of the primary / underlying coverage shall apply first to the peril(s) or coverage(s) not insured by the excess layers and the remainder, if any, to the peril(s) or coverage(s) insured hereunder. Upon exhaustion of the limit of liability of the primary / underlying coverage, the excess layers shall then be liable for loss uncollected from the peril(s) or coverage(s) insured hereunder, subject to the limit of liability and the other terms and conditions as specified.



**SCHOOLS PROGRAM ALLIANCE  
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**SECTION II - PROPERTY DAMAGE**

**A. COVERAGE**

Subject to the terms, conditions and exclusions hereinafter contained, this MOC insures all property of every description both real and personal (including improvements, betterments and remodeling), of the Named Insured, or property of others in the care, custody or control of the Named Insured, for which the Named Insured is liable, or under the obligation to insure.

**B. EXTENSIONS OF COVERAGE**

All coverage extensions are subject to the terms, conditions and exclusions of the MOC except insofar as they are explicitly providing additional coverage.

**1. PERSONAL EFFECTS**

This MOC is extended to cover only such personal effects and wearing apparel of any of the officials, employees, students and personal effects of the Named Insured named in this MOC for which the Named Insured may elect to assume liability while located in accordance with the coverage hereof, but loss, if any, on such property shall be adjusted with and payable to the Named Insured.

**2. PROPERTY IN COURSE OF CONSTRUCTION AND ADDITIONS**

It is understood and agreed that as respects course of construction projects and additions, this MOC will provide automatic coverage subject to the following conditions:

- a. Project involves only real property on new or existing locations (excluding dams, roads, and bridges).
- b. Value of the project at the location does not exceed USD as per Declaration Page. Projects that exceed this amount are subject to underwriting approval, prior to binding. However, inadvertent failure to report projects within USD as per Declaration Page shall not void coverage of said Project.

**Additional Expenses - Soft Costs:** This extension applies to new buildings or structures in the course of construction up to the time that the new building(s) or structure(s) is initially occupied or put to its intended use whichever occurs first.

The Company will cover the additional expenses (soft costs) of the Named Insured as defined below for up to 25% of the estimated completed value of the project which results from a delay in the completion of the project beyond the date it would have been completed had no loss or damage occurred. The delay must be due to direct physical loss or damage to property insured and be caused by or result from a peril not excluded by this MOC. The Company will pay covered expenses when they are incurred.

- a. **Additional Interest Coverage** – The Company will pay the additional interest on money the Named Insured borrows to finance construction or repair.



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- b. Rent or Rental Value Coverage – The Company will pay the actual loss of net rental income that results from delay beyond the projected completion date. But the Company will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue
- c. Additional Real Estate Taxes or Other Assessments – The Company will pay the additional real estate taxes or other assessments the Named Insured incurs for the period of time that construction is extended beyond the completion date.
- d. Additional Advertising and Promotional Expenses – The Company will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- e. Additional Commissions Expense – The Company will pay the additional expenses, which result from the renegotiating of leases following an interruption in the project.
- f. Additional Architectural and Engineering Fees – The Company will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- g. Additional License and Permit Fees – The Company will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- h. Legal and Accounting Fees – The Company will pay the additional legal and accounting fees the Named Insured incurs as a result of a delay in the completion of the project.

However, all new habitation risks, including teacher housing, must be submitted for review and approval by the Company, regardless of value size (i.e., automatic coverage does not apply).

**3. FIRE FIGHTING EXPENSES**

It is understood and agreed that the Company shall be liable for the actual charges of fire fighting expenses including but not limited to those charged by municipal or private fire departments responding to and fighting fire in / on, and/or protecting property included in coverage provided by this MOC.

**4. OFF PREMISES SERVICES INTERRUPTION**

It is understood and agreed that coverage under this MOC is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by the Named Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the MOC period of any suppliers furnishing heat, light, power, gas, water, telephone or similar services to a Named Insured's premises. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) of this form.



## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

### **5. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES**

This MOC also insures as a direct result of physical loss or damage insured hereunder, any of the following:

- a. Architects and engineers fees
- b. Loss adjustment expenses including, but not limited to, auditors, consultants and accountants. However, the expenses of public adjusters are specifically excluded.

### **6. EXPEDITING EXPENSES**

In the event of physical loss or damage insured hereunder, it is understood and agreed that coverage under this MOC includes the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Named Insured, including overtime and the extra costs of express or other rapid means of transportation. This coverage provided by this clause is sub-limited to USD as per the Declaration Page.

### **7. DEBRIS REMOVAL**

This MOC also covers expenses incurred in the removal of debris of the property covered hereunder from the premises of the Named Insured that may be destroyed or damaged by a covered peril(s). This debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land or water.

### **8. BUILDING LAWS**

This MOC is extended to include physical damage, business interruption loss, loss of interest and/or extra expense incurred and/or sustained by the Named Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the MOC period and occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, which necessitates the demolition of any portion of the covered building not damaged by the covered peril(s).

The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this MOC damaged by a covered peril.

The Company shall not be liable under this clause for more than the limit of liability as shown elsewhere in this MOC.

### **9. DEMOLITION COST**

In the event of physical damage to property insured by a covered peril, this MOC is extended to cover the cost of demolishing any undamaged portion of the covered property including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this MOC and resulting from





## SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS

enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition.

### 10. INCREASED COST OF CONSTRUCTION

In the event of physical damage to property insured by a covered peril, this MOC is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local or state ordinance or law or regulator having control over construction plans/approvals including, but not limited to, written guidelines used by the department Division of corrections in any state State Architect and the California Department of Education in regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within 6 months after such a loss occurs, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

### 11. DECONTAMINATION COSTS

Notwithstanding the provisions of any exclusion contained herein or any provision respecting pollution and/or contamination, if property insured is contaminated as a result of direct physical loss, damage or destruction by a peril insured by this MOC and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of pollutants or contaminants, this MOC insures, as a result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated property insured in a manner to satisfy such law or ordinance. This provision applies only to that part of insured property contaminated as a result of insured direct physical loss, damage or destruction by a peril insured by this MOC.

### 12. ERRORS & OMISSIONS

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice the Named Insured's right of recovery but will be reported to the Company as soon as practicable when discovered. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E of this form. This extension does not increase any more specific limit stated elsewhere in this MOC or Declaration.

### 13. VALUABLE PAPERS

This MOC is extended to cover Valuable Papers or the cost to reconstruct valuable papers (including but not limited to research, redrawing or duplicating) physically lost or damaged by a peril insured against during the term of this MOC.

### 14. TRANSIT

This MOC is extended to cover Personal Property of the Named Insured or property held by the Named Insured in trust or on commission or on consignment for which the Named Insured may be

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**SCHOOLS PROGRAM ALLIANCE  
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held legally liable while in due course of transit, worldwide, against all risks of Direct Physical Loss or Damage not excluded by this MOC to the property insured occurring during the period of this MOC. The coverage provided by this clause is sub-limited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E. of this form.

**15. VEHICLES WHILE ON INSURED PREMISES**

This MOC is extended to cover vehicles while on premises of the Insured against physical loss or damage by a peril insured against during the term of this MOC.

**16. ASBESTOS CLEAN UP AND REMOVAL**

This MOC specifically excludes asbestos materials clean up or removal, unless asbestos is itself damaged by a peril covered by this MOC, then asbestos cleanup or removal within the damaged area, and applicable time element coverages, will be covered by this MOC.

In no event will coverage be extended to cover undamaged asbestos, including undamaged asbestos in any portion of the building mandated by any governmental direction or request declaring that asbestos material present in any undamaged portion of the Named Insured's property must be removed or modified, or;

- a) any loss or expense including investigation or defense costs, caused by, resulting from, or arising out of asbestos, exposure to asbestos, or any product containing asbestos, or;
- b) any loss or expense normally provided by demolition, increased cost or building ordinance.

The Named Insured must report to Underwriters the existence of the damage as soon as practicable after the loss. However, this MOC does not insure any such damage first reported to the Underwriters more than thirty six (36) months after the expiration, or termination, of this MOC.

**17. PROTECTION AND PRESERVATION OF PROPERTY**

In the event of loss likely to be covered by this MOC, the Named Insured shall endeavor to protect covered property from further damage and shall separate the damaged and undamaged personal property and store in the best possible order, and shall furnish a complete inventory of the destroyed, damaged and undamaged property to the Company.

In case of actual or imminent physical loss or damage of the type insured against by this MOC, the expenses incurred by the Named Insured in taking reasonable and necessary actions for the temporary protection and preservation of property Named Insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the MOC and be subject to the applicable deductible and without increase in the limit provisions contained in this MOC.

Due to the unique nature of Health Care Facilities and Jails where it is deemed necessary to evacuate patients or inmates from the premises in order to reduce the physical loss potential from an actual or imminent loss or damage by a peril not excluded herein, all terms and



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conditions of this clause will apply to the expenses incurred as a result of the evacuation.

### **18. LEASEHOLD INTEREST**

In the event of physical loss or damage of the type insured against by this MOC to real property of the type insured this MOC, which is leased by the Named Insured, this MOC is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly un-tenantable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Named Insured for the actual rent payable for the unexpired term of the lease; or
- (2) If as a result of such loss or damage the property becomes partially un-tenantable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Named Insured for the proportion of the rent applicable thereto; or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, the Company shall indemnify the Named Insured for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease;

provided, however, that the Company shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the Named Insured exercising an option to cancel the lease; or from any act or omission of the Named Insured which constitutes a default under the lease; and provided further that the Named Insured shall use any suitable property or service owned or controlled by the Named Insured or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (1) Lease Interest means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of the Named Insured's lease.
- (2) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

### **19. AUTOMATIC ACQUISITION AND REPORTING CONDITIONS**

This MOC is automatically extended to insure additional property and/or interests as described in the MOC, which may be acquired or otherwise become at the risk of the Named Insured, during the Policy term, within the Coverage Territory, subject to the values of such additional property and/or interests not exceeding a reporting threshold of \$25,000,000 any one acquisition excluding licensed vehicles, for which a reporting threshold of \$10,000,000 applies.

In the event of coverage being required for additional property and/or interest where the value exceeds a reporting threshold of \$25,000,000 any one acquisition, details of said property and/or interest are to



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be provided to the Company for its agreement not later than (120) days from the date of the said additional property and/or interest having become at the risk of the Named Insured, this MOC providing coverage automatically for such period of time up to a maximum limit of \$125,000,000 (Maximum limit of \$100,000,000 for only SPA Member: Butte Schools Self-Funded Programs). The Company retains the right to determine the acceptability of all such property(ies) for periods greater than the automatic 120 days period detailed above. Additional premium will be calculated from the date of acquisition and will be processed on a quarterly basis. Issuance of the endorsements and calculation of pro-rata or return premium, for these changes will be processed as of, and at the time of the transaction.

In the event that the Named Insured fails to comply with the above reporting provision, then coverage hereunder is sublimited to \$25,000,000 for the acquired property and/or \$10,000,000 for the acquired vehicles any one occurrence.

If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V. In the event that coverage for Flood for any location situated in Flood Zones A or V is required, it is to be agreed by the Company prior to attachment hereunder.

Furthermore, all new habitation risks, including teacher housing, must be submitted for review and approval by the Company, regardless of value size (i.e., automatic coverage does not apply).

Aside from the above, during the coverage period, any prospective new member must be submitted for approval by the Company prior to coverage being applicable.

### **20. MISCELLANEOUS UNNAMED LOCATIONS**

Coverage is extended to include property at locations (including buildings or structures, owned, occupied or which the Named Insured is obligated to maintain coverage) located within the territorial limitations set by this MOC. Coverage provided by this clause is limited to any sub-limit noted on the Declaration Page attached to this form, and by terms and conditions of this MOC form. This coverage extension does not apply to the peril of Earthquake in the states of California, or Alaska. If Flood coverage is purchased for scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.

### **21. ACCIDENTAL CONTAMINATION**

This MOC is hereby extended to cover Business Interruption and Property Damage loss as a result of accidental contamination, discharge or dispersal from any source to Covered Property, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Covered Property to the same condition as existed prior to loss. The coverage provided is sub-limited to \$1,000,000 per occurrence as per Declaration page.

If such contamination or dispersal is itself caused by fire, lightning, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to full limit of liability provided by this MOC.



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For the purposes of this Accidental Contamination clause only, the term “Covered Property”, as covered by this MOC, is held to include Land (and Land Values) on which Covered Property is located whether or not the same are excluded by this MOC.

It is further understood and agreed that this coverage clause shall not override anything contained in Asbestos Clean Up and Removal in this MOC.

### **C. PROPERTY NOT COVERED**

Except as for that which may be provided as an Extension of Coverage, this MOC does not cover:

1. Aircraft, Watercraft over 27 feet in length (other than watercraft held for sale by the insured), and rolling stock, except scheduled watercraft, and rolling stock, light rail vehicles, subway trains and related track maintenance vehicles for light rail and subway lines.
2. Standing timber, bodies of water, growing crops.
3. Land (including land on which covered property is located), and land values (except athletic fields, landscaping, artificial turf, sand traps, tees and greens).
4. Property in due course of ocean marine transit.
5. Shipment by mail after delivery into the custody of the United States Post Office.
6. Power transmission lines and feeder lines more than 1,000 feet from the premises of the Insured unless scheduled and specifically approved by the Company.
7. Underground pipes more than 1,000 feet from the premises of the Insured unless scheduled and specifically approved by the Company.
8. Offshore property, oilrigs, underground mines, caverns and their contents. Railroad track is excluded unless values have been reported by the Named Insured.
9. Waterborne shipments to and from the U.S. mainland, Puerto Rico, United States Virgin Islands, Alaska, Hawaii; and shipments via Panama Canal.
10. Motor vehicles licensed for highway use except while at an insured location.
11. Furs, jewelry, precious metals and precious stones.
12. Earthen dikes and dams.
13. Money and Securities.
14. Unmanned aircraft.



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**D. LOSS PAYMENT BASIS / VALUATION**

In case of loss to property of a Named Insured covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

1. On all real and personal property, including property of others in the care or control of the Named Insured at the replacement cost (as defined below) at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value shall apply.
2. On improvements and betterments at the replacement cost at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value shall apply. If replaced or repaired by others for the use of the Named Insured, there shall be no liability hereunder. The Company agrees to accept and consider the Named Insured as sole and unconditional owner of all improvements and betterments, any contract or lease the Named Insured may have made to the contrary notwithstanding.
3. On manuscripts, mechanical drawings, patterns, electronic data processing media, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed, except as may be limited by any separate MOC provision) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replaced or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.
4. On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, replacement cost for antique, restored or historical buildings shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is less) the property on the same site using materials of like kind and quality necessary to preserve or maintain a buildings' historical significance without deduction for depreciation.
5. On property of others for which the Named Insured is liable under contract or lease agreement the Company's liability in the event of loss is limited to the Named Insured's obligation as defined in said contract or lease agreement but not to exceed the replacement cost.
6. On Vehicles, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Vehicle and/or Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).
7. If the values, provided by the Named Insured, provides a valuation based on Replacement Cost (New), then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be Actual Cash Value.



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8. Landscaping, artificial turf, sand traps, tees, putting greens and athletic fields; the actual replacement cost of sod, shrubs, sand, plants and trees; however the Company's liability for replacement of trees, plants and shrubs will be limited to the actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of 25 gallons per item but not to exceed USD50,000 per item.

For the purpose of determining coverage under this MOC landscaping, trees, plants and shrubs are only insured if their position and planting was undertaken by human agency for cosmetic effect.

The aforementioned valuations shall also be used for the purpose of any minimum earned premium and/or quarterly adjustments incurred.

Wherever the term "actual cash value" is used as respects real property or improvements and betterment's in this clause, or elsewhere herein, it shall mean replacement cost less depreciation.

"Replacement Cost" shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

- (i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;
- (ii) Replacement shall be effected by the Named Insured with due diligence and dispatch;
- (iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that the Company shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.
- (iv) For historical buildings as more specifically defined in this Section.
- (v) In no event shall the Company's liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) Covered Property or any part thereof.

It is understood and agreed that as respects replacement cost, the Named Insured shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the Company's liability. The Company shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Named Insured.

In the event the Named Insured should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

**E. UPGRADE TO GREEN**

The coverages and valuation provision provided by this endorsement only apply if direct physical loss or damage to covered real and/or personal property is caused by any of the perils covered by the MOC and



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replacement cost valuation applies. This coverage does not apply to: (1) personal property of others in the Insured's care, custody, and control, (2) leased personal property, and/or (3) finished or unfinished stock.

In no event, does this endorsement increase or change the per occurrence limit of liability shown in the declarations or the annual aggregate for specified perils.

1. Notwithstanding the Valuation Provision of this MOC or limits of liability applicable to specific locations or perils, if replacement cost valuation applies to real and/or personal property, then the Company's liability for loss applicable to this endorsement shall be the cost to repair or replace the covered damaged property, subject to the applicable limit of liability, plus the least of the following amounts:

- A. The reasonable and necessary amount to upgrade to green the covered damaged property as described in Coverage Section A - Non-LEED® Certified Coverage or as described in Coverage Section B - LEED® Certified Coverage, whichever is applicable; or
- B. An additional 25% of the applicable limit of liability for the building and/or business personal property shown in the Statement of Values or similar schedule to upgrade to green; or
- C. \$2,500,000 to upgrade to green.

At the Insured's sole discretion, the Insured may elect not to upgrade to green any or all property for which upgrade to green coverage is provided under this endorsement. In such case, the Company will adjust the claim in accordance with the standard provisions of the MOC, as modified by all other applicable endorsements.

Subject to the least of A., B., or C. above, if business interruption coverage is provided as part of this MOC, if necessary, the Period of Restoration shall be increased to allow for additional time to upgrade to green the damaged property plus up to an additional two week period to meet the requirements set forth in 4.B.

### **2. COVERAGE SECTION A: NON-LEED CERTIFIED COVERAGE**

In the event of direct physical loss or damage by any of the perils covered by the MOC to a building that is not LEED certified at the time of the loss, or to the personal property within such a building, the Company will pay to repair or replace damaged or destroyed:

#### **A. Loss Settlement for Personal Property**

- (1) "Appliances" or "Office Equipment" with products of like kind and quality that have been identified as "ENERGY STAR®" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.
- (2) "Systems Furniture" or "Seating", with products of like kind and quality that are certified as GREENGUARD Indoor Air Quality Certified® or products with similar emissions





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characteristics. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

**B. Loss Settlement for Your Building**

**(1) Interior Finish Materials Upgrade**

- a. **Lower Emissions Products Upgrade Coverage**  
"Defined Building Materials" with products of like kind and quality that have "Lower Emissions". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.
- b. **Environmentally Preferable Products Upgrade Coverage**  
Interior wood, carpeting and flooring with products of like kind and quality that have "Lower Emissions", are "Sustainably Produced", are "Rapidly Renewable" or include "Recycled Content". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

**(2) Interior Plumbing Systems Upgrade Coverage**

Interior plumbing fixtures including, but not limited to, toilets, shower heads, and lavatory faucets with products of like kind and quality that are more "Water Efficient". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. For damaged or destroyed faucets, the Company will also pay to install occupant sensors to reduce the potable water demand.

**(3) Lighting Systems Upgrade Coverage**

Lighting systems, with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. The Company will also pay to repair or replace damaged light bulbs with light bulbs which have low mercury content.

**(4) Efficient Heating and Cooling Equipment Upgrade Coverage**

- (5) "Heating and cooling equipment" with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

**(6) Building Reconstruction Following Total Loss**

- a. Solely with respect to a "Total Loss" to a building, the Company will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that should satisfy the prerequisites and earn the minimum number of



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points required to qualify for LEED Silver certification using the LEED New Construction (LEED NC®) Rating System.

**b. Certification Expenses**

The Company will pay the reasonable and necessary registration and certification fees charged by the United States Green Building Council (USGBC) that the Insured incurs should the Insured decide to seek LEED Silver certification. However, the Company will not pay to modify the reconstructed structure if it is not certified.

The Sublimit of Coverage for this coverage is \$50,000.

**3. COVERAGE SECTION B: LEED CERTIFIED COVERAGE**

In addition to all Coverages provided in Coverage Section A (with the exception of 2.B. (5) Building Reconstruction Following a Total Loss) and in the event of direct physical loss or damage by any of the perils covered by the MOC to a building that is LEED certified at the time of the loss, or to the personal property within such building, the Company will pay to repair or replace damaged or destroyed:

**A. Loss Settlement for Trees, Shrubs, and Vegetative Roofs**

- (1) Trees and shrubs planted specifically to secure the Heat Island Effect: Non-Roof point as described in LEED NC. For the purposes of this coverage only, notwithstanding any other provision of the MOC to the contrary, trees and shrubs are Covered Property. The sublimit of coverage for this coverage is \$3,000 per tree or \$3,000 per shrub up to a maximum of \$50,000.
- (2) Vegetative roofs on LEED certified buildings. Notwithstanding any other provision of the MOC to the contrary, vegetative roofs are Covered Property.

**B. Loss Settlement for Your Building**

**(1) Recertification Expenses**

- a. In the event of direct physical loss or damage by any of the perils covered by the MOC that necessitates recertification of the damaged building, the Company will pay the reasonable and necessary registration and certification fees charged by the USGBC that the Insured incurs as a result of the recertification process.

- b. The Sublimit of Coverage for this coverage is \$50,000.

**(2) Building Reconstruction Following Total Loss**

- a. Solely with respect to a "Total Loss" to a building that is LEED certified at the time of the loss, the Company will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that would satisfy the



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prerequisites and should earn the minimum number of points required to qualify for LEED certification at two levels above the certification in effect at the time of the loss using the LEED NC Rating System.

**b. Certification Expenses**

The Company will pay the reasonable and necessary registration and certification fees charged by the USGBC that the Insured incurs should the Insured decide to seek LEED certification. However, the Company will not pay to modify the reconstructed structure if it is not certified.

The Sublimit of Coverage for this coverage is \$50,000.

**4. COVERAGES INCLUDED WITHIN COVERAGE SECTIONS A OR B AND APPLICABLE TO LEED® AND NON-LEED® CERTIFIED BUILDINGS**

In the event of direct physical loss or damage by any of the perils covered by the MOC to a LEED or Non-LEED certified building:

**A. Recycling Expenses**

- (1) The Company will pay the Insured's expenses to clean-up, sort, segregate, and transport debris from the Insured's damaged building to recycling facilities, if such debris can be recycled.
- (2) The Sublimit of Coverage for this coverage is \$50,000 and is in addition to the debris removal expense sublimit provided by the MOC, if any.
- (3) Any income or remuneration derived from this recycling shall be used to reduce the loss.

**B. Air Testing and Outdoor Air Ventilation of the Reconstructed Space**

- (1) In accordance with the requirements for the Construction IAQ Management Plan: Before Occupancy Credit as described in the LEED NC rating system (hereinafter, "Construction IAQ"), the Company will pay to conduct air testing and a building flush-out (if required because of a failure to meet air quality standards set forth in the Construction IAQ) and follow-up air testing for a total period of time not to exceed two weeks.
- (2) After the two week period of increased outdoor air ventilation of the reconstructed space, the Company will pay to replace the filtration media with new media.
- (3) The Sublimit of Coverage for this coverage is \$50,000.

**C. Professional Services**



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The Company will pay reasonable and necessary expenses to hire a LEED Accredited architect or engineer to participate in the design and/or construction administration of the damaged portion of the building or the entire building, whichever is applicable.

The Sublimit for this coverage is \$50,000.

**D. Building Commissioning Expenses**

In the event of direct physical loss or damage to mechanical, electrical, or electronic building systems, by any of the perils covered by the MOC which necessitates the commissioning or re-commissioning of those systems, the Company will pay reasonable and necessary expenses of a Professional Engineer to commission or re-commission those damaged systems in accordance with LEED protocols.

The Sublimit of Coverage for this coverage is \$50,000.

**5. Additional Definitions**

- A. "Appliances" means products including, but not limited to, dishwashers, refrigerators, freezers, ovens, microwave ovens, room air conditioners, room air cleaners and water heaters.
- B. "Defined Building Materials" means: (1) all carpet and floor coverings, including, adhesives to affix them to the floor, (2) all interior paints, architectural coatings, primers, undercoatings, adhesives, sealants, and (3) permanently installed composite wood fixtures, including, counters, cabinets, and partitions.
- C. "ENERGY STAR" means any product that has been identified by the United States Government Department of Energy, Environmental Protection Agency as ENERGY STAR qualified at the time of the loss.
- D. "Heating and Cooling Equipment" means products including, but not limited to, heat pumps, boilers, central air conditioning, ceiling fans, dehumidifiers, exhaust fans, furnaces, thermostats, and ventilating fans.
- E. "Lower emissions" means:
  - (1) With respect to adhesive and sealant products, such as, general construction adhesives, flooring adhesives, fire-stopping sealants, caulking, duct sealants, plumbing adhesives, and cove base adhesives, products that meet the requirements of South Coast Air Quality Management District (SCAQMD) Rule #1168; with respect to aerosol adhesives, products that meet Green Seal Standard GS-36 requirements;
  - (2) With respect to architectural paints, coatings, and primers, products that do not exceed the volatile organic compound (VOC) content limits established in Green Seal Standard GS-11, with respect to anti-corrosive and anti-rust paints, products that do not exceed the VOC content limits established in Green Seal Standard GS-03; and with respect to clear wood



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finishes, floor coatings, stains, and shellacs, products that do not exceed the VOC content limits established by SCAQMD Rule #1113;

- (3) With respect to carpet and carpet cushion, products that meet the requirements of the Carpet and Rug Institute's Green Label Plus Program; and
  - (4) With respect to composite wood and agrifiber products such as particleboard, medium density fiberboard (MDF), plywood, wheatboard, strawboard, panel substrates and door cores as well as laminating adhesives used to fabricate on-site and shop-applied composite wood and agrifiber assemblies, products that contain no added urea- formaldehyde resins.
- F. "Office Equipment" means electronic products including, but not limited to, desktop computers, laptop computers, monitors, printers, fax machines, scanners, copiers, and telephones.
- G. "Recycled Content" means those products that contain at least 20% postconsumer recycled content.
- H. "Rapidly Renewable" means products that are made from plant resources that are harvested within a ten-year cycle or shorter, including, but not limited to, bamboo, eucalyptus, wheat straw, sunflower hulls, cork oak, wheatboard, linoleum, and sorghum.
- I. "Seating" means task and guest chairs used with "System Furniture".
- J. "Sustainably Produced" means those products certified by the Forest Stewardship Council ("FSC").
- K. "System Furniture" means either a panel-based workstation comprised of modular interconnecting panels, hang-on components and drawer/filing components of a freestanding grouping of furniture items and their components that have been designed to work in concert.
- L. "Total Loss" means:
- 1. The covered building is completely destroyed regardless of whether any damage is done to the foundation or slab, or
  - 2. The covered building is in such condition after the loss that the standard method of rebuilding or repairing the covered building is to raze the structure except for the foundation or slab or including all or part of the foundation or slab and rebuild the entire structure, whether such structure is actually rebuilt or not.
- M. "Water Efficient" means dry fixtures such as composting toilet systems and non-water using urinals, flush toilets using no more than 1.6 gallons of water per flush, and shower heads and faucets with a flow rate of no more than 2.2 gallons per minute.



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**SECTION III - BUSINESS INTERRUPTION**

Subject to the terms, conditions and exclusions stated elsewhere herein, this MOC provides coverage for:

**A. COVERAGE**

**1. BUSINESS INTERRUPTION**

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, as covered by this MOC to real and/or personal property insured by this MOC, occurring during the term of this MOC.

In the event of such loss or damage the Company shall be liable for the actual loss sustained by the Named Insured for gross earnings as defined herein and rental value as defined herein resulting from such interruption of business, services, or rental value; less all charges and expenses which do not necessarily continue during the period of restoration. Due consideration shall be given to the continuation of normal charges and expenses including payroll expenses to the extent necessary to resume operations of the Named Insured with the same quality of service which existed immediately preceding the loss.

With respect to business interruption for power generation facilities, the coverage provided hereunder is sub-limited to USD as per Declaration Page.

Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:

In determining the amount of tuition income and related fees covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to:

- (i) Tuition income and related fees which are prevented from being earned or received. (ii) Other income derived from:
  - (a) routine and special services;
  - (b) other operating and non-operating revenues, including but not limited to: (1)
    - research grants
    - (2) income under research contracts all dependent on continued operations.
- (iii) Donations and fund raising proceeds:
  - (a) If a regularly scheduled fund raising drive for the sole benefit of the Named Insured occurs during the period of interruption of operations, the revenue produced by such drive shall be considered as follows in determining the amount of loss:
    - (1) If the drive fails to produce an amount at least equal to the same drive in the



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most recent prior solicitation, the shortage, to the extent that it can be attributed to the interruption of the Named Insured's operations, shall be considered as loss of income;

- (2) If the drive produces an amount equal to the same drive in the most recent prior solicitation, there shall be considered no loss of income from this source of revenue;
  - (3) If the drive produces an amount larger than the same drive in the most recent prior solicitation, the excess shall be applied to reduce the loss from other sources of revenue;
  - (4) If the drive is cancelled or postponed, such loss of revenue shall not be considered as loss of income.
- (b) The following shall be disregarded in determining the amount of loss:
- (1) Donations and contributions which are a direct result of the interruption of the Named Insured's operations and are received by the Named Insured during the period of interruption.
  - (2) Proceeds for fund raising drives or solicitations which are for the sole benefit of the Named Insured and occur as a result of interruption of the Named Insured's operations.

**2. EXTRA EXPENSE**

This MOC is extended to cover the necessary and reasonable extra expenses at any location as hereinafter defined, incurred by the Named Insured in order to continue as nearly as practicable the normal operation of the Named Insured's business following damage to or destruction of covered property by a covered peril occurring during the term of this MOC which is on premises owned, leased or occupied by the Named Insured. In the event of such damage or destruction, the Company shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this MOC (hereinafter referred to as the period of restoration).

**B. EXTENSIONS OF COVERAGE**

**1. INGRESS / EGRESS**

This MOC is extended to insure the actual loss sustained during the period of time not exceeding 30 days when, as a direct result of physical loss or damage caused by a covered peril(s) specified by this MOC and occurring at property located within a 10 mile radius of covered property, ingress to or egress from the covered property covered by this MOC is prevented. Coverage under this extension is subject to a 24-hour waiting period.



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**2. INTERRUPTION BY CIVIL AUTHORITY**

This MOC is extended to include the actual loss sustained by the Named Insured, as covered hereunder during the length of time, not exceeding 30 days, when as a direct result of damage to or destruction of property by a covered peril(s) occurring at property located within a 10 mile radius of covered property, access to the covered property is specifically prohibited by order of a civil authority. Coverage under this extension is subject to a 24-hour waiting period.

**3. DEMOLITION AND INCREASED TIME TO REBUILD**

The Company shall, in the case of loss covered under this MOC, be liable also for loss to the interest covered by the MOC, occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time such loss occurs, which necessitates the demolition of any portion of the described building(s) not damaged by the covered peril(s). The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this MOC damaged by a covered peril.

THE COMPANY SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

- a. More than the limit of liability as shown elsewhere in this MOC.
- b. Any greater proportion of any loss to the interest covered by this MOC than the amount covered under this MOC on said interest bears to the total coverage and coverage on said interest, whether all such coverage contains this clause or not.
- c. Any cost necessitated by the enforcement of any law or ordinance regulating any form of pollutants or contaminants.

**4. CONTINGENT TIME ELEMENT COVERAGE**

Business interruption, rental income, tuition income and extra expense coverage provided by this MOC is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this MOC at direct supplier or direct customer locations that prevents a supplier of goods and/or services to the Named Insured from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the Named

Insured from accepting such goods and/or services. The coverage provided by this clause separately as respects each of these coverage's is sub-limited to USD as per Declaration Page.

**5. TAX REVENUE INTERRUPTION**

Except as hereinafter or heretofore excluded, this MOC insures against loss resulting directly from necessary interruption of sales, property or other tax revenue including, but not limited to Tribal Incremental Municipal Services Payments collected by or due the Named Insured caused by damage





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or destruction to property which is not operated by the Named Insured and which wholly or partially prevents the generation of revenue for the account of the Named Insured.

The Company shall be liable for the actual loss sustained for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this MOC.

If the Named Insured has reported Tax Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit insured on the MOC;
2. The actual loss sustained;

If the Named Insured has not reported Tax Revenue Interruption values, such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit insured on the MOC;
2. The actual loss sustained;

**DEDUCTIBLE:** Each loss or series of losses arising out of one event at each location shall be adjusted separately and from the aggregate amount of all such losses 2.50% of the annual revenue value shall be deducted.

**6. EXTENDED PERIOD OF INDEMNITY**

Business interruption including rental income, tax interruption, tuition income and extra expense coverage provided by this MOC is extended for the additional length of time required to restore the business of the Named Insured to the condition that would have existed had no loss occurred commencing on either;

- a. the date on which the Company's liability would otherwise terminate or;
- b. the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

The Company's liability under this extension shall terminate no later than the number of days indicated in the Declaration Page for this item.

**7. EXPENSES TO REDUCE LOSS**

This MOC also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.



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**C. EXCLUSIONS**

1. The Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business caused by direct physical loss or damage covered by this MOC and, then the Company shall only be liable for such loss as affects the Named Insured's earnings during and limited to, the period of indemnity covered under this MOC.
2. With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the perils insured against, the length of time for which the Company shall be liable hereunder shall not exceed:
  - i. Thirty (30) consecutive calendar days or the time required with exercise of due diligence and dispatch to reproduce the data thereon from duplicates or from originals of the previous generation, whichever is less; or,
  - ii. the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed, but not exceeding eighteen (18) calendar months, whichever is the greater length of time.

**D. CONDITIONS APPLICABLE TO THIS SECTION**

If the Named Insured could reduce the loss resulting from the interruption of business:

1. by complete or partial resumption of operation of the property whether or not such property be lost or damaged, or;
2. by making use of merchandise or other property at the Named Insured's location or elsewhere; such reduction shall be taken into account in arriving at the amount of the loss hereunder.

**E. DEFINITIONS**

**1. GROSS EARNINGS**

"Gross Earnings" is defined as the sum of:

- a. total net sales and;
- b. other earnings derived from the operation of the business less the cost of;
- c. merchandise sold including packaging materials and;
- d. materials and supplies consumed directly in supplying the service(s) sold by the Named Insured, and;
- e. service(s) purchased from outside (not employees of the Named Insured) for resale that does not continue under contract.



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No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience thereafter, had no loss occurred.

In the event that Real and/or Personal Property that does not normally produce an income, sustains damage covered under this MOC, the actual recovery under this MOC shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

**2. MERCHANDISE**

Shall be understood to mean, goods kept for sale by the Named Insured, which are not the products of manufacturing operations conducted by the Named Insured.

**3. EXTRA EXPENSE**

The term "extra expense", whenever used in this MOC, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Named Insured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

**4. RENTAL VALUE**

The term "rental value" is defined as the sum of:

- a. the total anticipated gross rental income from tenant occupancy as furnished and equipped by the Named Insured, and;
- b. the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Named Insured, and;
- c. the fair rental value of any portion of said property which is occupied by the Named Insured, and;
- d. any amount in excess of a., b. and c. (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.



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### 5. PERIOD OF RESTORATION

The period during which business interruption and or rental interruption applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the damaged property should have been repaired, rebuilt or replaced with due diligence and dispatch, but not limited by the expiration of this MOC.

#### 5.1 VACANCY PERMIT

A SPA approved and provided permit, allowing for the removal of the Vacant Property sublimit limit in this MOC for a property falling under the Vacant Property definition.

#### 7. VACANT PROPERTY

Real Property, whose construction code calls for occupancy, that is not occupied by the member of the Named Insured and does not contain Business Personal Property in a sufficient amount to conduct normal operations. A property will be considered a vacant property if not occupied for 90 consecutive calendar days.

Vacant Property does not include a structure that is intended for future use on an occupied, active site.

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## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

### **SECTION IV - GENERAL CONDITIONS**

#### **A. PERILS COVERED**

Subject to the terms, conditions and exclusions stated elsewhere herein, this MOC provides coverage against all risk of direct physical loss or damage occurring during the period of this MOC.

#### **B. EXCLUSIONS**

This MOC does not insure against any of the following:

1. Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear or gradual deterioration, rust, corrosion, wet or dry rot, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss or damage.
2. Physical loss or damage by normal settling, shrinkage or expansion in building or foundation.
3. Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
4. Breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss.
5. Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Named Insured, its employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.
6. Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.
7. Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock (Earthquake Shock, and Flood, in the states of Alaska, or California shall only apply to locations that are scheduled for Earthquake Shock and Flood).
8. Loss or damage caused by rain, sleet or snow to personal property in the open (except in the custody of carriers or bailees for hire).
9. Loss caused directly or indirectly, by:



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- a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack
    - i. by any government or sovereign power (de jure or de facto), or by any Authority maintaining or using military, naval or air forces; or
    - ii. by military, naval or air forces; or
    - iii. by an agent of any such government, power, authority or forces;
  - b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental Authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
10. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
- a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
  - b. This MOC does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Named Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Named Insured premises.
11. As respects course of construction, the following exclusions shall apply:
- a. The cost of making good: faulty or defective workmanship, materials, construction and/or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, materials, construction and/or design.
  - b. The cost of non-compliance of, or delay in completion of contract.
  - c. The cost of non-compliance with contract conditions.
  - d. Contractors' equipment or tools not a part of or destined to become a part of the installation.
12. Loss or damage caused by Earthquake Shock



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13. Loss or damage caused by Flood unless a limit is shown on the Declarations for Flood this exclusion will apply.
14. Loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:
- a. the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, by any computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Named Insured or not; or
  - b. any change, alteration, correction or modification involving one or more dates or times, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Named Insured or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this MOC results, then subject to all its terms and conditions, this MOC shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include physical loss or damage to data resulting directly from a) or b) above, nor the cost, claim or expense, whether preventative, remedial, or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate, compare, differentiate sequence or process any data involving one or more dates or times.

15. Loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;
- a. fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
  - b. mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
  - c. spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms, regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

“This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to or resulting from fungus, mold(s), mildew or yeast, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast which the Insured establishes is a direct result of a Covered Loss not otherwise excluded by the MOC, provided that such fungus, mold(s), mildew



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or yeast loss or damage is reported to the Company within twelve months from the expiration date of the MOC.”

16. Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.
17. Loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. Except as provided in Section II Property Damage, B. Extension of Coverage, 21. Accidental Contamination.

Nevertheless if fire is not excluded from this MOC and a fire arises directly or Indirectly from seepage and/or pollution and/or contamination, any loss or damage covered under this MOC arising directly from that fire shall (subject to the terms, conditions and limitations of the MOC) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the Company has paid or agreed to pay, then this MOC (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and/or pollution and/or contamination.

The Named Insured shall give notice to the Company of intent to claim NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.

Notwithstanding the provisions of the preceding exclusions or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the MOC, in the event of direct physical loss or damage to the property covered hereunder, this MOC (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

- (a) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the Named Insured; and/or;
- (b) cost of clean up at the premises of the Named Insured made necessary as a result of such direct physical loss or damage;

PROVIDED that this MOC does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

18. Authorities Exclusion:

Fines, penalties or cost incurred or sustained by the Named Insured or imposed on the Named Insured at the order of any Government Agency, Court or other Authority, in connection with any kind or description of environmental impairment including seepage or pollution or contamination from any cause.





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**19. The following exclusion applies to Terrorism:**

Any act of terrorism. An act of terrorism means an act, including but not limited to the use of the force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purpose including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This MOC also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to the paragraph above.

If the Company allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this coverage the burden of proving the contrary shall be upon the Named Insured.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect. All other terms and conditions remain unaltered.

**20. Loss or damage caused by errors in manufacturing, processing, renovating, testing, packaging as part of operations; recall.**

**21. Loss or damage resulting from indirect or remote loss.**

**22. Loss or damage resulting from fraudulent or dishonest acts committed by officer, director or employee.**

**C. STATUTES**

If any of the articles of this MOC conflict with the laws or statutes of any jurisdictions in which this MOC applies this MOC is amended to conform to such laws or statutes.

**D. TERRITORIAL LIMITS**

This MOC insures Real and Personal Property within the United States of America. The coverage provided by this clause for Personal Property is sub-limited to USD as per Declaration Page.

**E. REINSTATEMENT**

Any reduction in the amount insured hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this contract except as respects to the perils of Earthquake Shock and Flood.

**F. FREE ON BOARD (F.O.B.) SHIPMENTS**

The Company shall be liable for the interest of the Named Insured at sole option of the Named Insured, the interest of the consignee in merchandise, which has been sold by the Named Insured under terms of



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F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

### **G. BREACH OF CONDITIONS**

If any breach of a clause, condition or warranty of this MOC shall occur prior to a loss affected thereby under this MOC, such breach shall not void the MOC nor avail the Company to avoid liability unless such breach shall exist at the time of such loss under this contract or MOC, and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the Named Insured establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the Named Insured from recovering under this MOC.

### **H. PERMITS AND PRIVILEGES**

Anything in the printed conditions of this MOC to the contrary notwithstanding, permission is hereby granted:

1. to maintain present hazards and hazards which are consistent with the current operation of insured facilities;
2. to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder, while in, on and/or about the premises or adjacent thereto;
3. for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require;
4. to be or become vacant or unoccupied. If a building becomes vacant or unoccupied, notice is to be given to the Company prior to the one-hundred twentieth (120th) consecutive day of vacancy or lack of occupancy. The giving, or failure to give such notice will not constitute a condition precedent to the Company's liability, but the Named Insured shall make a reasonable effort to comply with such requirement.

This MOC shall not be prejudiced by:

1. any error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the Named Insured;
2. any act or neglect of the owner of the building, if the Named Insured hereunder is not the owner, or of any occupant of the within described premises other than the Named Insured, when such act or neglect is not within the control of the Named Insured, named herein; or
3. by failure of the Named Insured to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the Named Insured has no control.



#### **I. PROTECTIVE SAFEGUARDS**

The Named Insured shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

#### **J. NOTICE OF LOSS**

In the event of loss or damage insured against under this MOC, the Named 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.

#### **K. ARBITRATION OF VALUE**

In case the Named Insured and the Company shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraisers selected. The appraiser shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the Named Insured or the Company such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the Company shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

#### **L. PROOF OF LOSS**

The Named Insured shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of the Named Insured and of all others in the property, the value thereof and the amount of loss or damage thereto.

#### **M. SUBROGATION**

In the event of any loss payment under this MOC, the Company, shall be subrogated to all the Named Insured's rights of recovery thereof against any person or organization and the Named Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, the Named Insured and the Company shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

Notwithstanding the above wording, the Named Insured has the right to enter into an agreement that releases or waives the Named Insured's right to recovery against third parties responsible for the loss if made before the loss occurred.



#### **N. CANCELLATION**

This MOC may be cancelled by the Named Insured at any time by written notice or surrender of this MOC. This MOC may also be cancelled by or on behalf of the Company by delivering to the Named Insured or by mailing to the Named Insured, by registered, certified or other first class mail at the Named Insured's address as shown in this MOC, written notice, not less than ninety (90) days prior to the effective date of cancellation. The mailing of such notice as aforesaid shall be sufficient proof and this MOC and shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this MOC be cancelled for non- payment of assessment, the Company shall only be required to give the Named Insured ten (10) days notice.

If this coverage in total shall be cancelled by the Named Insured, the Company shall retain the customary short rate proportion of the premium hereon. If the Company elects to cancel coverage mid-term, then such cancellation shall be handled on a pro-rata basis without short rate penalty.

In the event of cancellation the aggregate retention and specific limit amount shall be applied pro rata with the balance, if any, to be paid to the Named Insured.

Payment or tender of any unearned premium by the Company shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not affect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

It is understood and agreed that if the Named Insured cancels this MOC, the MOC is subject to 25% minimum earned premium regardless of the length of time coverage is in force.

#### **O. ABANDONMENT**

There shall be no abandonment to the Company of any property.

#### **P. ASSIGNMENT**

Assignment or transfer of this MOC shall not be valid except with the written consent of the Company.

#### **Q. SALVAGE**

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined. The salvage value will be deducted from the claim or returned to the Company.

#### **R. OTHER INSURANCE**

Permission is hereby granted to the Named Insured to carry more specific insurance on any property covered under this MOC. This MOC shall not attach or become insurance upon any property which at the time of loss is more specifically described and covered under any other MOC form until the liability of



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such other insurance has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other insurance, whether collectible or not. This MOC, subject to its conditions and limitations, shall attach and become insurance upon such property as respects any peril not covered by such other insurance and not otherwise excluded herein.

In the event of a loss that is covered by other insurance, wherein this MOC is excess of any amount paid by such other insurer, the other insurance shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other insurance exceed these deductibles, no further deductibles shall be applied under this MOC.

**S. EXCESS INSURANCE**

Permission is granted for the Named Insured to maintain excess insurance over the limit of liability set forth in this MOC without prejudice to this MOC and the existence of such insurance, if any, shall not reduce any liability under this MOC. Also it is understood and agreed as respects earthquake shock or flood, that in the event of reduction or exhaustion of the aggregate limits of liability under the underlying MOC(s) by reason of loss(es) hereunder, this MOC shall:

1. in the event of reduction, pay out excess of the reduced underlying limit and;
2. in the event of exhaustion, continue in force as the underlying MOC.

**T. RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS**

The Named Insured as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by the Company relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or their representatives and shall permit extracts and copies thereof to be made.

**U. CONCEALMENT AND FRAUD**

This entire MOC shall be void, if whether before or after a loss, the Named Insured has willfully concealed or misrepresented any material facts or circumstance concerning this MOC of the subject thereof, or the interest of the Named Insured therein, or in case of any fraud or false swearing by the Named Insured relating thereto.

**V. FULL WAIVER**

The terms and conditions of this form and any approved endorsements supersede any MOC jacket that may be attached hereto.



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**W. SUIT AGAINST COMPANY**

No suit, action or proceeding for the recovery of any claim under this MOC shall be sustainable in any court of law or equity unless the Named Insured shall have complied with all the requirements of this MOC, nor unless the suit is commenced within twelve (12) months after the date that the Company has made its final offer of settlement or denial of the loss.

However, that if under the laws of the jurisdiction in which the property is located such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such jurisdiction.

**X. LENDER'S LOSS PAYABLE**

The following provisions (or equivalent) apply as required by "mortgages" and "lenders" to whom certificates of coverage have been issued.

1. Loss or damage, if any, under this MOC, shall be paid to the Payee named on the first page of this MOC, its successors and assigns, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this MOC, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended:
  - (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the coverage or the interest therein, or the title thereto;
  - (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this MOC by virtue of any mortgage or trust deed;
  - (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this MOC, including any and all riders now or hereafter attached thereto, by the Named Insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this MOC of coverage or of any rider or endorsement attached thereto would invalidate or suspend the coverage as to the Named Insured, excluding here from, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the Named Insured to pay any premium or additional premium which shall be or become due under the terms of this MOC or on account of any change in occupancy or increase in hazard not permitted by this MOC, the Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the



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continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the Named Insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefore.

If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

4. Whenever the Company shall pay to the Lender any sum for loss or damage under this MOC and shall claim that as to the Named Insured no liability therefore exists, the Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the Named Insured, whether secured or unsecured, (with refund of all interest not accrued), and the Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.
5. If there be any other insurance upon the within described property, the Company shall be liable under this MOC as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the Named Insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate the Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. The Company reserves the right to cancel this MOC at any time, as provided by its terms, but in such case this MOC shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.
7. This MOC shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable MOC in renewal thereof with loss there under Payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this MOC become vested in the Lender or its agents, insurance under this MOC shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the Named Insured under the terms and conditions of this MOC and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be given by the Company to the Lender in connection with this



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MOC and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the MOC.

Approved: Board of Fire Underwriters of the Pacific; California Bankers' Association – Committee on Insurance

**Y. LOSS PAYABLE PROVISIONS**

**A. LOSS PAYABLE**

For covered property in which both insured and a Loss Payee have an insurable interest, the Company will:

1. Adjust losses with the Named Insured, and;
2. Pay any claim for loss or their damage jointly to the Named Insured and the Loss Payee, as interests may appear.

**B. LENDER'S LOSS PAYABLE**

1. The Loss Payee is a creditor, including a mortgage holder or trustee, whose interest in Covered Property is established by such written instruments as:
  - a. Warehouse receipts;
  - b. A contract for deed;
  - c. Bills of lading;
  - d. Financing statements or;
  - e. Mortgages, deeds of trust or security agreements.
2. For Covered Property in which both the Named Insured and a Loss Payee have an insurable interest:
  - a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
  - b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
  - c. If the Company deny the Named Insured claim because of the insured act or because the Named Insured have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:





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- (1) Pays any premium due under this Coverage Part at our request if the Named Insured have failed to do so;
- (2) Submits a signed, sworn proof of loss within ninety (90) days after receiving notice from us of the Named Insured failure to do so, and;
- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Part will then apply directly to the Loss Payee.

- d. If the Company pays the Loss Payee for any loss or damage and deny payment to the Named Insured because of the Named Insured acts or because the Named Insured have failed to comply with the terms of this Coverage Part:

- (1) The Loss Payee's rights will be transferred to us to the extent of the amount the Company pays and;
- (2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, the Company may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, the Named Insured will pay the insureds' remaining debt to us.

3. If the Company cancels this MOC, the Company will give written notice to the Loss Payee at least:
  - a. Ten (10) days before the effective date of cancellation if the Company cancels for the insured non-payment of premium or;
  - b. Thirty (30) days before the effective date of cancellation if the Company cancels for any other reason.
4. If the Company elects not to renew this MOC, the Company will give written notice to the Loss Payee at least ten (10) days before the expiration date of this MOC.

**C. CONTRACT OF SALE**

1. The Loss Payee is a person or organization the Named Insured have entered a contract with for the sale of Covered Property.
2. For Covered Property in which both the Named Insured and the Loss Payee have an insurable interest the Company will:
  - a. Adjust losses with the Named Insured and;



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- b. Pay any claim for loss or damage jointly to the Named Insured and the Loss Payee, as interests may appear.

- 3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "the Insured" includes the Loss Payee.

**Z. ELECTRONIC DATA**

- 1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the MOC or any endorsement thereto, it is understood and agreed as follows:

- a. This MOC does not insure, loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature

resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes program, software, and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to "Trojan Horses", "worms" and "time or logic bombs".

- b. However, in the event that a peril listed below results from any of the matters described in paragraph a) above, this MOC, subject to all its terms, conditions and exclusions will cover physical damage occurring during the MOC period to property insured by this MOC directly caused by such listed peril.

- Listed Perils
- Fire; explosion; smoke; direct impact of vehicle, vandalism or malicious mischief; leakage or accidental discharge of fire protection equipment; collapse; falling objects; water damage; "Boiler and Machinery"; sudden and accidental discharge, leakage, backup, or overflow of liquids or molten material from confinement within piping, plumbing systems, tanks, equipment or other containment located at the insured "location"; "Flood."



## 2. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the MOC or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this MOC suffer physical loss or damage insured by this MOC, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed **USD10,000,000** any one loss, incurred by the Named Insured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media.

However this MOC does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Named Insured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

### AA. LOSS ADJUSTMENT SERVICES

McLarens Young, International, 180 Montgomery Street, Suite 2100, San Francisco, California 94104-4231 is hereby authorized to represent the Company in the investigation and adjustment of any loss or damage under this MOC at the expense of the Company and without regard to the amount of loss or damage and/or applicable deductible if any. However, the Company reserves the right to utilize other adjusting firms at its discretion.



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**BB. DEFINITIONS**

**1.**

**OCCURRENCE**

Each occurrence is defined as a loss, incident or series of losses or incidents not otherwise excluded by this MOC and arising out of a single event or originating cause and includes all resultant or concomitant insured losses. When the term applies to loss or losses from earthquake shock, flood and/or windstorm, the following provisions shall apply:

**a. Windstorm**

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of one hundred sixty-eight (168) hours during the term of this MOC, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Named Insured may elect the moment from which each of the aforesaid periods of one hundred sixty-eight (168) hours shall be deemed to have commenced but no two such one hundred sixty-eight (168) hour periods shall overlap. The Company shall not be liable for any loss occurring before the effective date and time of the MOC. The Company will be liable for any losses occurring for a period of up to one hundred sixty-eight (168) hours after the expiration of this MOC provided that the first windstorm loss or damage within that one hundred sixty-eight (168) hours occurs prior to the date and time of expiration of this MOC.

In the event of there being a difference of opinion between the Named Insured and the Company as to whether or not all windstorm losses sustained by the Named Insured during an elected period of one hundred sixty-eight (168) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the National Weather Service or comparable Authority in any other country or locality shall govern as to whether or not a single atmospheric disturbance continued throughout the period at the location(s) involved.

**b. Flood**

Each loss by flood shall constitute a single loss hereunder.

1. If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s) or;
2. If any flood results from any tidal wave or series of tidal waves caused by any one disturbance;

such flood shall be deemed to be a single occurrence within the meaning of this MOC.



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Should any time period referred to above extend beyond the expiration date of this MOC and commence prior to expiration, the Company shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this MOC.

The Company shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this MOC or commencing after the expiration date and time of this MOC.

Flood shall mean a general condition of partial or complete inundation of normally dry land area from:

1. overflow of inland or tidal water;
2. unusual and rapid accumulation or run off of surface waters from any natural source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in 1. or 2. above.

**The definition of flood does not include ensuing loss or damage by fire, explosion, or sprinkler leakage.**

**c. Flood Zone A and V**

Flood zones A and V as referenced in this MOC is defined by FEMA as being inclusive of all 100 year high risk flood areas. A one-hundred-year flood is a flood event that has a 1% probability of occurring in any given year.

**d. Earthquake Shock**

The term earthquake shock is defined as: earth movement meaning natural faulting of land masses, but not including subsidence, landslide, rock slide, earth rising, earth sinking, earth shifting or settling and tsunami unless as a direct result of such earth movement. The definition of earthquake shock does not include ensuing loss or damage by fire, explosion or sprinkler leakage. Further Earthquake Sprinkler Leakage is covered outside of the "Earthquake Shock" definition and subject to the basic peril deductible.

**e. Wildfire**

As regards wildfires, firestorms, brush fires and any other fires or series of fires, irrespective of origin, which spread through trees, grassland or other vegetation (hereinafter "fire(s)"), all individual losses sustained by the Insured arising out of and directly occasioned by fire(s) which occur during any period of one hundred sixty eight (168) hours.

The term wildfire is defined as: A wildfire is a fire at some time burning uncontained or uncontrolled on lands covered wholly or in part by timber, brush, grass, grain or other flammable vegetation but which also may consume structures or other human



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developments, and is declared as a major disaster or emergency pursuant to the Stafford Disaster Relief and Emergency Assistance Act of 1988.

### **2. PERSONAL PROPERTY OF OTHERS**

Means, any property (other than real property) belonging to others for which a Named Insured has assumed liability. This includes but is not limited to:

- Articles of Clothing
- Jewelry
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media & Hardware
- Valuable Papers
- Portable Electronic Equipment
- Employee Tools

### **3. IMPROVEMENTS AND BETTERMENTS**

Means, additions or changes made by a Named Insured / lessee at their own expense to a building they are occupying that enhance the building's value.

### **4. VALUABLE PAPERS AND RECORDS**

Means, all inscribed, printed, or written; documents, manuscripts or records; including but not limited to abstracts, books, deeds, drawing, films, maps, or mortgages. Valuable Papers are not money, securities, stamps or converted data program or instructions used in the Named Insured's data processing operations including the materials on which data is recorded.

### **CC. ADDITIONAL INSURED'S / LOSS PAYEES**

It is hereby understood and agreed that the interest of Additional Insured's and/or Loss Payees is automatically included, as per schedule held on file with Alliant Insurance Services, Inc.



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**SECTION V - FINE ARTS**

**A. COVERAGE**

This MOC insures against all risks of physical loss of or damage except as hereafter excluded occurring during the MOC period to fine arts, which are the property of the Named Insured or the property of others in the custody or control of the Named Insured while on exhibition or otherwise within the limits of the United States.

If any of the property covered by this Section is also covered under any other provisions of the MOC of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

**1. PROPERTY COVERED**

Objects of art of every kind and description, and property incidental thereto, which are the property of the Named Insured, or the property of others in the custody and control of the Named Insured, or in transit at the Named Insured's risk, and property in which the Named Insured shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Named Insured. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, pictures, bronzes, potteries, porcelains, marbles, statuary and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the Named Insured, or in the care, custody or control of the Named Insured, and their frames, glazing and shadow boxes.

**2. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE**

This Section covers the Named Insured's property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this MOC, whichever may occur first, except that expiration of this MOC shall not prejudice coverage of any risk then in transit.

**B. EXCLUSIONS**

1. Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process;
2. Loss or damage caused by or resulting from:
  - a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;



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- i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces or;
    - ii. by military, naval or air forces; or
    - iii. by an agent of any such government, power, authority or forces;
  - b. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
3. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
- a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
  - b. This MOC does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Named Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Named Insured premises.
4. Any dishonest, fraudulent or criminal act by the Named Insured, a partner therein or an officer, director employee or trustee thereof, whether acting alone or in collusion with others. For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

**C. LOSS PAYMENT BASIS / VALUATION**

The valuation of each article of property covered by this Section shall be determined as follows:

- a. Property of the Named Insured shall be covered for and valued at the current fair market value of each article indicated on the books and records of the Named Insured prior to loss, according to the Named Insured's valuation of each object covered.
- b. Property of others loaned to the Named Insured and for which the Named Insured may be legally liable, or which the Named Insured has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the Named Insured and owner(s) as recorded on the books and records of the Named Insured prior to loss.





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- c. Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the Company shall not be liable beyond the fair market value of the property at the time any loss or damage occurs. Said value shall be ascertained by the Named Insured and the Company or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

**D. SPECIAL CONDITIONS**

1. **Misrepresentation and Fraud:** This entire Section shall be void if, whether before or after a loss, the Named Insured has concealed or misrepresented any material fact or circumstance concerning this MOC or the subject thereof, or the interest of the Named Insured therein, or in case of any fraud or false swearing by the Named Insured relating thereto.
2. **Notice of Loss:** The Named Insured shall as soon as practicable report in writing to the Company or its agent every loss, damage or occurrence which may give rise to a claim under this Section and shall also file with the Company or its agent within ninety (90) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
3. **Examination under Oath:** The Named Insured, as often as may be reasonably required, shall exhibit to any person designated by the Company all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, Named Insured and others to submit to examination under oath by any person named by the Company and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the Named Insured or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Named Insured might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Company's liability.
4. **Settlement of Loss:** All adjusted claims shall be paid or made good to the Named Insured within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the Company. No loss shall be paid or made good if the Named Insured has collected the same from others.
5. **No Benefit to Bailee:** This Section shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
6. **Subrogation or Loan:** If in the event of loss or damage the Named Insured shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered hereunder, the Named Insured will, if requested by the Company, assign and transfer such claim or right of action to the Company or, at the Company's option, execute and deliver to the Company the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the Company to, or will hold in trust for the Company, all such rights of action to



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the extent of the amount paid or advanced, and will permit suit to be brought in the Named Insured's name under the direction of and at the expense of the Company.

7. Loss Clause: Any loss hereunder shall not reduce the amount of this Section, except in the event of payment of claim for total loss of an item specifically scheduled hereon.
8. Protection and Preservation of Property: In case of actual or imminent physical loss or damage of the type insured against by this MOC, the expenses incurred by the Named Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the MOC and be subject to the applicable deductible and without increase in the limit provisions contained in this MOC.
9. Appraisal: If the Named Insured and the Company fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Named Insured or the Company, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the fair market value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Named Insured and the Company shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Named Insured shall not be held to have waived any of its rights by any act relating to appraisal.
10. Civil Authority: Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
11. Changes: Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the Named Insured from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.
12. Additional Covered Party(ies): Corporations, associations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Named Insured, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Named Insured(s) hereunder, but only as respects coverage afforded to said Named Insured's property.
13. Packing: It is agreed by the Named Insured that the property covered hereunder be packed and unpacked by competent packers.
14. Other Insurance: This fine arts floater Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this MOC.



15. Pair And Set: In the event of the total loss of any article or articles which are a part of a set, the Company agrees to pay the Named Insured the full amount of the value of such set and the Named Insured agrees to surrender the remaining article or articles of the set to the Company.



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**SECTION VI - CONTRACTORS EQUIPMENT**

**A. COVERAGE**

This MOC insures contractors equipment, whether self propelled or not, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a similar nature, and not subject to motor vehicle registration.

If any of the property covered by this Section is also covered under any other provisions of the MOC of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

**B. PERILS EXCLUDED**

This Section insures against all risks of direct physical loss or damage occurring during the MOC period to the above described property from any external cause except as provided below.

1. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage or improper assemblage.
2. Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
3. Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the MOC).
4. Loss or damage due to explosion arising from within steam boilers.
5. Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
6. Loss or damage due to dishonesty of Named Insured's employees or persons to whom the Named Insured's property is entrusted.
7. Loss or damage caused by or contributed to failure of the Named Insured to keep and maintain the property in a thorough state of repair.
8. Loss or damage caused by or resulting from:
  - a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack;



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- i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces or;
- ii. any military, naval or air forces or;
- iii. by an agent of any such government, power, authority or forces;
- b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
- c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
- d. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this endorsement; however, subject to the foregoing and all provisions of this MOC, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this MOC.

**C. PROPERTY EXCLUDED**

- 1. Automobiles, motorcycles, motor trucks, or parts thereof.
- 2. Buildings
- 3. Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any structure.
- 4. Property that is located underground.
- 5. Property while waterborne except while being transported on any regular ferry.
- 6. The storage risk of property not owned or required to be insured by the Named Insured at premises controlled or leased by the Named Insured, except where incidental to the regular or frequent use of the equipment or property.
- 7. Plans, blue prints, designs or specifications.
- 8. Piers, docks and wharves.

**D. LOSS PAYMENT BASIS / VALUATION**

On Contractors Equipment (whether self propelled or not), on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Contractors Equipment.



However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Named Insured, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

**E. SPECIAL CONDITIONS**

This section covers property only within the limits of the United States of America. It is a condition of this MOC that all articles covered hereunder are in sound condition at the time of attachment of this MOC.



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**SECTION VII - ACCOUNTS RECEIVABLE**

**A. COVERAGE**

This MOC covers the loss of or damage resulting from insured perils to the Named Insured's records of accounts receivable as defined below, occurring during the MOC period.

**B. EXCLUSIONS**

In addition to the exclusions in the General Conditions, this coverage does not apply:

1. To loss due to any fraudulent, dishonest or criminal act by the Named Insured, a partner therein, or an officer, director, employee or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.  
  
For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.
2. To loss due to bookkeeping, accounting or billing errors or omissions.
3. To loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory computation; but this shall not preclude the use of such procedures in support of claim for loss which the Named Insured can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
4. To loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

**C. LOSS PAYMENT BASIS / VALUATION**

When there is proof that a loss covered by this MOC has occurred but the Named Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be based on the Named Insured's monthly statements and shall be computed as follows:

- a. Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which the loss occurs;
- b. Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve (12) months immediately preceding the month in which the loss occurs as compared with such average for the months of the preceding year;
- c. The amount determined under (a) above, increased or decreased by the percentage calculated under (b) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs;



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- d. The amount determined under (c) above shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged or otherwise established or collected by the Named Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Named Insured. All unearned interest and service charges shall be deducted.

**D. DEFINITIONS:**

**ACCOUNTS RECEIVABLE**

- a. All sums due to the Named Insured from customers provided the Named Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- b. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- c. Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- d. Other expenses, when reasonably incurred by the Named Insured, in re-establishing records of accounts receivable following such loss or damage.





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**SECTION VIII - BOILER AND MACHINERY BREAKDOWN EXTENSION**

**1. Perils Insured**

In consideration of the premium paid and subject to the terms, conditions and Exclusions of the MOC to which this Extension is attached, and to the following terms and conditions, this Coverage is extended to cover direct damage to Covered Property caused by a Covered Cause of Loss.

**2. Additional Coverage**

**(a) Hazardous Substance**

The additional expense incurred for cleanup, repair or replacement or disposal of damaged, contaminated or polluted property as a result of an Accident, which causes property to become damaged, contaminated or polluted by a substance declared hazardous to health by an authorized governmental agency. The coverage provided by this clause is sub-limited to USD as per Declaration Page. For the purpose of this coverage "Additional expense" means any expense that would not have incurred, if no substance hazardous to health had been involved in the accident

**(b) Ammonia Contamination**

The loss, including salvage expense, incurred with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, as a result of any one Accident to one or more Objects. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

**(c) Water Damage**

The loss, including salvage expense, with respect to property damaged by water, resulting from any one Accident. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

**(d) Media Coverage**

The loss to all forms of electronic, magnetic and optical tapes and discs used in any electronic computer or electronic data processing equipment directly damaged by an Accident to an Object. The coverage provided by this clause is sub-limited to USD as per Declaration Page. For the purpose of this coverage, the valuation basis for "Media" is as follows:

- i. For "Media" that are mass-produced and commercially available, at the replacement cost.
- ii. For all other "Media", at the cost of blank material for reproducing the records.

**(e) Consequential Damage**



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The "Consequential Damage" to refrigerated and frozen goods of the Named Insured or for which the Named Insured is legally liable or under the Named Insured's care, custody or control caused solely by an Accident to an Object. For the purpose of this coverage, "Consequential Damage" is defined as loss due to spoilage from lack of power, light, heat, steam or refrigeration, resulting from Accident. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(f) Utility Interruption

The loss caused by an Accident to an Object that is owned, operated or controlled by a public or private entity that the Named Insured has contracted with to furnish them with electrical utility service including all direct electrical suppliers. The coverage provided by this clause is sub-limited to USD as per Declaration Page.

(g) CFC Refrigerants and Halon

The replacement of any CFC (chlorofluorocarbon) refrigerant used in refrigeration or air conditioning equipment or Halon used in a fire suppression system due to an "Accident" to an Object.

(h) Ordinance or Law

If an Accident to an Object at the Named Insured's location damages a building that is "Covered Property", the Company will pay for

- i. Loss to the Undamaged Portion of the Building, meaning loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:
  - a. Requires the demolition of parts of the same building not damaged by the Accident to an Object; or
  - b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the location of the building.
- ii. Demolition Cost meaning the cost to demolish and clear the site of undamaged parts of the building, caused by the enforcement of building, zoning, or land ordinance or use.
- iii. Increased Cost of Construction, meaning the increased cost to:
  - a. Repair or reconstruct damaged portions of the building; and
  - b. Reconstruct or remodel undamaged portions of the building whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. But the Company will only pay for this increased cost if the building is repaired, reconstructed or remodeled. Also, if the building is repaired, reconstructed or remodeled, it



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must be intended for similar occupancy as the current building, unless such occupancy is not permitted by zoning or land use ordinance or law.

Coverage under this section only applies with respect to ordinance or law that is in force at the time of the Accident to an Object. Coverage under this section does not apply to:

- a. Costs associated with the enforcement of any ordinance or law which requires any Named Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of substances declared to be hazardous to health by a governmental agency; or
- b. Loss due to any ordinance or law that:
  - i. The Named Insured was required to comply with before the Accident to an Object even if the building was undamaged; and
  - ii. The Named Insured failed to comply with.

The coverage provided by this clause is sub-limited to USD as per Declaration Page.

### **3. Definition of Accident**

Accident shall mean a sudden and accidental breakdown of the Object, or a part thereof, which manifests itself at the time of its occurrence by physical damage to the Object that necessitates repair or replacement of the Object or part thereof; but Accident shall not mean:

- a. depletion, deterioration, corrosion, or erosion of material;
- b. wear and tear;
- c. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- d. the breakdown of any vacuum tube, gas tube or brush;
- e. the breakdown of any structure or foundation supporting the Object or any part thereof;
- f. the functioning of any safety device or protective device.

### **4. Definition of Object**

Except as otherwise specifically designated herein, Object as described below shall mean any equipment or apparatus which is owned by, leased by or operated under the control of the Named Insured subject to the Exclusions and Special Provisions specified herein:



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- a. Any boiler, any fired vessel, any unfired vessel subject to vacuum or internal pressure other than static pressure of contents, any refrigerating and air conditioning vessels, or any piping and its accessory equipment, but such Object shall not include:
  - 1. Any boiler setting, any insulating or refractory material,
  - 2. Any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than
    - (a) Feed water piping between any boiler and its feed pumps or injectors
    - (b) Boiler condensate returning piping
- b. Any mechanical or electrical machine or electrical apparatus used for the generation, transmission or utilization of mechanical or electrical power, but Object shall not include
  - 1. Any structure or foundation other than a bedplate of a machine,
  - 2. Any vehicle, elevator, crane, hoist, power shovel or drag line, but not excluding any electrical equipment used with said machine or apparatus,
  - 3. Any refractory material, or
  - 4. Any penstock or draft tube.

**5. Covered Cause of Loss**

A Covered Cause of Loss is an "Accident" to an Object insured hereon. An Object must be in use or connected ready for use at the time of the Accident.

**6. Covered Property**

Covered Property, as used in this Extension, means any property that:

- a. The Named Insured owns; or
- b. Is in the Named Insured's care, custody or control and for which they are legally liable

**7. Special Provisions**

- a. As respects any boiler, fired or unfired vessel, refrigerating system or piping, the Company shall not be liable for loss from an Accident while said Object is undergoing a hydrostatic, pneumatic or gas pressure test that exceeds manufacturers recommended limits.
- b. As respects any boiler or fired vessel, the Company shall not be liable for loss from an explosion of gas or unconsumed fuel within the furnace of such Object or within the passages from the furnace to the atmosphere, whether or not such explosion (a) is contributed to or aggravated by an Accident to any part of said Object that contains steam or water, or (b) is caused in whole or in part, directly or



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indirectly, by any Accident to any Object, or part thereof, nor shall the Company be liable for any loss from an Accident caused directly or indirectly by such explosion.

- c. As respects any unfired vessel which is used for the storage of gas or liquid and which is periodically filled, moved, emptied and refilled in the course of its normal service, such vessel shall be considered as "connected ready for use" within the terms of this Extension of the MOC.
- d. As respects any Object or part of an Object that is being dismantled, reassembled or is in storage, will be considered as "connected ready for use" within the terms of this Extension of the MOC.
- e. As respects any gas turbine of the internal combustion type, (a) the combustor or such Object shall not be considered to be a "furnace" as the word is used in the Definition of Accident or in Special Provision 2 above and (b) the Definition of Accident shall not mean the cracking of any part of the Turbine exposed to the production of combustion.
- f. As respects new turbine generator units, coverage shall not apply until the unit has been contractually accepted by the Named Insured, that all tests required by the contractor have been performed and satisfied and the unit has been placed in commercial operation.

**9. Valuation**

- a. The Company will pay the Named Insured the amount the Named Insured spends to repair or replace the property directly damaged by an Accident. The Company payment will be the smallest of:
    - 1) The Limit of Coverage;
    - 2) The cost at the time of the Accident to repair the damaged property with property of like kind, capacity, size and quality;
    - 3) The cost at the time of the Accident to replace the damaged property on the same site with other property:
      - a) Of like kind, capacity, size and quality; and
      - b) Used for the same purpose
    - 4) The amount the Named Insured actually spends that is necessary to repair or replace the damaged property.
  - b. As respects any Object if the cost of repairing or replacing only a part of the Object is greater than:
    - 1) the cost of repairing the Object; or
    - 2) the cost of replacing the entire Object on the same site;
- The Company will pay only the smaller of (1) or (2). The repair parts or replacement Object must be:



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- 1) of like kind, capacity, size and quality; and
- 2) used for the same purpose.
- c. The Company will not pay:
  - 1) if the loss or damage is to property that is obsolete or useless to the Named Insured; or
  - 2) for any extra cost if the Named Insured decides to repair or replace the damaged property with property of a better kind or quality or of larger capacity,
- d. If the Named Insured does not repair or replace the damaged property within 18 months after the date of the Accident then the Company will pay on the smaller of the:
  - 1) cost it would have taken to repair; or
  - 2) actual cash value;at the time of the "accident".

Paragraph (d) does not apply to any time period beyond the 18 months that the Company agrees to in writing.

- e. As respects CFC (chlorofluorocarbon) refrigerant or Halon, the following valuation basis is applicable:
  - 1) If the CFC refrigerant or Halon is replaceable, the Named Insured may, at their option, elect to:
    - a) Repair or replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system and replace the lost CFC refrigerant or Halon subject to it being of like kind, capacity, size and quality and used for the same purpose; or
    - b) Change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to:
      - i. Refrigeration or air conditioning equipment that uses an approved non-CFC refrigerant; or
      - ii. A fire suppression system that uses an approved non – Halon agent.

But this option is available only if the change to the equipment or system is made within 18 months after the date of the Accident or within any extended time period that the Company agrees to in writing.

If Option 1) b) above is elected, the Company will not pay more than the least of the following amounts:

- a) The Limit of Coverage;



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- b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;
  - c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;
  - d) The amount that the Named Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant; or
  - e) One hundred twenty-five percent (125%) of the amount the Company otherwise would have paid for loss to the refrigeration equipment, air conditioning equipment or fire suppression system.
- f. If the CFC refrigerant or Halon is not replaceable and:
- (1) The Named Insured repairs or replaces the damaged equipment within 18 months after the date of the Accident or within any extended time that the Company agrees to in writing, the Company will pay the least of the following amounts:
    - (a) The Limit of Coverage;
    - (b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;
    - (c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;
    - (d) The amount that the Named Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant.
  - (2) If the Named Insured does not replace the damaged equipment within 18 months after the date of the Accident or within the extended time period that the Company agrees to in writing, the Company will not pay more than the lesser of:



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- (a) The amount that the Company would have paid if repair or replacement of the damaged equipment had been made as determined in F 1 above; or
  - (b) The actual cash value of the damaged equipment at the time of the Accident.
- g. As respects Coverage under Ordinance and Law, the most the Company will pay as a result of any one Accident for:
- a) Loss to the Undamaged portion of the building is included in the Limit of Coverage that otherwise applies to the damaged building. But in no event will the amount the Company pay for loss to the building, including the loss in value of the undamaged portion of the building due to enforcement of an ordinance or law to which this coverage applies, exceed:
    - i. The amount that the Named Insured actually spend to repair, rebuild or replace the building, but not more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
    - ii. The actual cash value of the building at the time of loss if the building is not repaired or replaced.
  - b) Demolition and Increased Cost of Construction is USD as per Declaration Page, subject to the following:
    - i. With respect to the coverage provided for Demolition Cost, the Company will not pay more than the amount the Named Insured actually spend to demolish and clear the site of the undamaged parts of the building;
    - ii. With respect to the coverage provided for Increased Cost of Construction:
- (a) We will not pay for the Increased Cost of Construction:
- Until the building is actually repaired or replaced at the same or another premises; and Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 18 months. We may extend this period in writing during the 18 months.
- (b) If the building is repaired or replaced at the same location, or if the Named Insured elect to rebuild at another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the same location.
  - (c) If the ordinance or law requires relocation to another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the new location.





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h. If a claim or "suit" is brought against the Named Insured alleging that the Named Insured is liable for damage to property of another that was caused by an Accident to an Object, the Company will either:

1. Settle the claim or "suit", or
2. Defend the Named Insured against the "suit" but reserve the right for themselves to settle at any point.

**10. Exclusions**

- a. To loss:
  - 1) from explosion of an Object other than:
    - a) Any steam boiler, steam piping, steam turbine, gas turbine, steam engine, or
    - b) Any machine when such loss is caused by centrifugal force or mechanical breakdown,
- b. Nuclear reaction or radiation or radioactive contamination however caused, however this exclusion shall not apply to nuclear medicine at covered hospitals,
- c. From fire concomitant with or following an Accident.
- d. From an Accident caused directly or indirectly by fire
- e. From a combustion explosion outside the Object concomitant with or following an Accident,
- f. From an Accident caused directly or indirectly by a combustion explosion outside an Object

**11. Conditions:**

- a. Inspection

The Company shall be permitted but not obligated to inspect the Named Insured's property and operations at any reasonable time. Neither the right to make inspections nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the Named Insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.

- b. Suspension

Upon the discovery of a dangerous condition with respect to any Object, Alliant Insurance Services, Inc., may immediately suspend the coverage, with respect to an Accident to said Object, by written notice mailed or delivered to the Named Insured at the address of the Named Insured stated in the Declaration Page, or at the location of the Object, as stated for it in a schedule or endorsement. The



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coverage so suspended may be reinstated by the Company but only by an endorsement issued to form a part of this MOC. The Named Insured shall be allowed the unearned portion of the premium paid for such suspended coverage, pro- rata for the period of suspension.

c. Notice of Accident and Adjustments

When an Accident occurs, written notice shall be given to the Company as soon as practicable. The Company shall be given like notice of any claim made on account of such Accident. The Company or their representative shall have reasonable time and opportunity to examine the property, and the Named Insured's Location of Risk, before repairs are undertaken or physical evidence of the Accident is removed, except for protection or salvage. Proof of loss shall be made in such form as the Company may require. If suit is brought against the Named Insured for loss to which this Section of the MOC is applicable, any summons or other process served upon the Named Insured shall be forwarded immediately to the Company.

d. Deductible

In the event of an Accident to an Object as insured under this Extension that is concomitant with or followed by physical loss or damage incurred under the All Risks MOC that this Extension attaches to, the deductible to be applied to the total loss shall be the applicable Boiler & Machinery deductible



## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

### **SECTION IX – TERRORISM INCLUDING SABOTAGE EXTENSION**

In consideration of the Named Insured paying or agreeing to pay the contribution, the Company agrees subject to the Definitions, Exclusions, Limits and Conditions of this MOC, to indemnify the Insured up to the Overall Limit of Liability stated in the schedule for:

- a) Damage to Property covered by an Act of Terrorism;
- b) Consequential Loss resulting from Damage by an Act of Terrorism, to any building or other property used by the Insured, for the purpose of the Business and property of type not excluded as defined in the Property section in respect of contingent coverage contained therein,
- c) Continuing hire charges as a result of Damage by an Act of Terrorism,

as more fully described and defined herein occurring during the Coverage Period as stated in the Schedule. Provided that the liability of the Company under this MOC shall not exceed the Overall Limit of Liability or in respect of any item its sum covered or any other relevant Limit of Liability. or Sub-limit stated in the Schedule. Payment of an indemnity under this clause is dependent upon the Insured maintaining the Property coverage in full force and effect for the duration of the Coverage Period.

This MOC incorporates the Schedule and Endorsements, which shall be read together as one contract. Words and expressions to which specific meaning is given in any part of this MOC shall have the same meaning wherever they appear.

### **APPLICATION OF PROPERTY COVERAGE**

Except as otherwise provided herein at paragraphs a) to h) below, this MOC is subject to the same basis of settlement, warranties, terms and conditions, definitions, extensions and other provisions as the Property section, and it is agreed that those provisions are expressly incorporated from that section of the MOC into this section of the MOC.

The provisions which are not expressly incorporated from the Property section are as follows:

- a) the Contribution;
- b) the Overall Limit;
- c) any provision relating to the reinstatement of sums covered or limits;
- d) any terms which provide for adjustments of premium based upon declarations on expiry or during the Coverage Period;
- e) any terms which provide for the addition of locations in the Referral Areas which must be specifically agreed by the Company;
- f) the Deductible or Excess;
- g) any renewal or long term agreement;
- h) Exclusions.

For the avoidance of doubt, it is further agreed that the express provisions of this MOC shall prevail over any provisions incorporated from the Property section where such provisions are incompatible with each other.



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### GENERAL DEFINITIONS

1. The word - 'Damage' shall mean:  
  
direct physical loss or destruction of or physical damage
2. The words - 'Consequential Loss' shall mean:  
loss resulting from interruption of or interference with the Business carried on by the Named Insured in consequence of Damage caused by an Act of Terrorism, to property used by the  
  
Named Insured for the purposes of the Business and property of type not excluded as defined in the Property section in respect of contingent coverage contained therein.
3. The words - 'Act of Terrorism' shall mean:  
an act or series of acts, involving the use of force or violence, of any person or group of persons, whether acting alone or on behalf of or in connection with any organization, committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public or any section of the public in fear. For the avoidance of doubt an 'Act of Terrorism' shall include an act of Sabotage.
4. The word - 'Sabotage' shall mean:  
a subversive act or series of such acts committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public in fear for such purposes.
5. The words - 'Property section ' shall mean:  
the Property coverage issued by the Company as identified and set forth this MOC.
6. The word - 'Occurrence' shall mean:  
any one loss and/or series of losses occasioned by, happening through, arising out of and in consequence of any one Act of Terrorism for the same purpose or cause. The duration and extent of any one Occurrence shall be limited to all losses sustained by the Named Insured during any period of 72 consecutive hours. However no such period of 72 consecutive hours **may extend beyond the expiration of this MOC unless Damage first occurs prior to expiration. No period of 72 consecutive hours shall commence prior to the attachment of this MOC.**
7. **The words "Referral Areas"** shall mean:  

<b>New York City -</b>	10001 through to 10029, 10036, 10038, 10044, 10048, 10128
<b>Chicago -</b>	60601 through to 60611
<b>San Francisco -</b>	94102, 94103, 94104, 94105, 94107, 94108, 94109, 94110, 94111, 94112, 94114, 94115, 94116, 94117, 94118, 94121, 94122, 94123, 94124, 94127, 94129, 94131, 94132, 94133, 94134
<b>Washington -</b>	20001, 20004, 20005, 20006
<b>Boston -</b>	02108, 02109, 02110, 02111, 02113, 02114

### EXCLUSIONS:

Notwithstanding the exclusions contained within the Property section this policy contains the following Exclusions and override any conflicting exclusion therein



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This Contract does not cover:

1. Damage or Consequential Loss arising directly or indirectly from nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination, however caused.
2. Damage or Consequential Loss occasioned directly or indirectly by war, invasion or warlike operations (whether war be declared or not), hostile acts of sovereign or government entities, civil war, rebellion, revolution, insurrection, military or usurped power or martial law.  
For the avoidance of doubt, the fact that an Act of Terrorism is committed by an agent of the sovereign or government entity operating covertly and not in connection with any operation of armed forces or where the Act of Terrorism is funded by a sovereign or government entity, will not of itself give rise to the application of this war exclusion.
3. Damage or Consequential Loss caused by or consisting of confiscation, requisition, detention, seizure, legal or illegal occupation, embargo, quarantine acts of contraband or illegal transportation or illegal trade or any result of any order of public or government authority which deprives the Named Insured of the use or value of the property.
4.
  - a) Damage or Consequential Loss caused by chemical or biological release or exposure of any kind;
  - b) Damage or Consequential Loss directly or indirectly arising from or in consequence of the seepage and/or discharge of pollutants or contaminants including but not limited to any solid, liquid, gaseous or thermal irritant, contaminant or toxic or hazardous substance or any substance the presence, existence or release of which endangers or threatens to endanger the health, safety or welfare of persons or the environment unless otherwise specifically covered herein, but this shall not exclude Damage to Property Covered or Consequential Loss resulting therefrom caused by seepage and/or pollution and/or contamination (including that involving chemical and/or biological and/or mineral agent) which itself results from  
Damage caused by an Act of Terrorism. Provided that:
    - a) such Damage is derived from pollutants and/or contaminants owned by, or in the care, custody or control of the Named Insured, and
    - b) such pollutants and/or contaminants are covered by this Contract.
5. Damage or Consequential Loss caused by attacks by electronic means including computer hacking or the introduction of any form of computer virus or corrupting or unauthorized instructions or code or the use of any electromagnetic weapon.  
This exclusion shall not operate to exclude losses (which would otherwise be covered under this MOC) arising from the use of any computer, computer system or computer software program or any other electronic system in the launch and/or guidance system and/or firing mechanism of any weapon or missile.
6. Damage or Consequential Loss caused by malicious damage, strikes, riots or civil commotion unless Damage is caused directly by an Act of Terrorism.
7. Loss or increased cost as a result of threat or hoax
8.
  - a) land or land values, soil, air or water.
  - b) aircraft or any other aerial device, or watercraft. However, this exclusion does not apply to



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

spare parts, materials or aircraft engines for installation or repair, but not yet a part of the aircraft or aircraft engines attached to aircraft for the purpose of transit and not connected to any power and/or fuel source.

- c) any land conveyance including vehicles, locomotives or rolling stock, other than whilst at the Premises at the time of its Damage.
- d) animals, plants and living things of all types other than trees and plants which form part of landscaped areas at the Premises.

**CONDITIONS**

**All as per the Property section except as herein expressly varied.**

1. Any clause included in the Property section relating to the automatic reinstatement of sums covered or limits of liability does not apply to this MOC, when Policy Limit stated herein specifically states that the Policy Limit is in the Aggregate for the period of the policy. (annual or otherwise).

**2. Other Insurance**

This Contract shall be excess of any other insurance available to the Insured covering a loss covered hereunder except such other insurance that is written specifically as excess insurance over this MOC. When this MOC is written specifically in excess of other insurance covering the peril covered hereunder, this MOC shall not apply until such time as the amount of the underlying insurance, (whether collectible or not), has been exhausted by loss and damage covered by this MOC.

**3. Reasonable precautions**

The Named Insured shall take all reasonable steps and precautions to prevent loss, destruction or damage.

**4. Claims conditions**

**a) 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 Company and/or the Broker, named for that purpose herein.

- b)** In the event of Damage caused by an Act of Terrorism, the Insured must deliver to the Company all such relevant information and evidence as may reasonably be required including:

- (i) full information in writing of the property lost, destroyed or damaged and the amount of the Damage;
- (ii) details of any other insurances on any property hereby covered;
- (iii) all such proofs and information relating to the claim including time, place and cause of loss;
- (iv) if required by the Company, a statutory declaration of the truth of the claim and of any matters connected to it, which shall be submitted as soon as reasonably practical but in all cases this must be within 60 days of the Occurrence.

- c)** In the event of a claim being made under Business Interruption as included under this MOC, the Named Insured must deliver to the Company:



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

- (i) not later than 30 days after the expiry of the Indemnity Period or within such further time as the Company may allow, particulars of this claim together with details of all other insurances covering property used by the Named Insured at the Premises for the purpose of the Business or any part of it or any resulting Consequential Loss.
  - (ii) deliver to the Company such books of account and other business books, vouchers, invoices, balance sheets, and other documents, proofs, information, explanation and other evidence as may reasonably be required by the Company for the purpose of investigating the claim together with, if demanded, a statutory declaration of the truth of the claim and of any matters connected with it.
- d) The Named Insured must co-operate fully in the investigation or adjustment of any claim.

e) Proof of Loss

In any claim and/or action, suit or proceeding to enforce a claim for loss under this MOC, the burden of proving that the loss is recoverable under this MOC and that no limitation or exclusion of this MOC applies and the quantum of loss shall fall upon the Named Insured.

f) Subrogation

Any claimant under this MOC shall at the request of the Company take and permit to be taken all necessary steps for enforcing rights against any other party in the name of the Insured before or after any payment is made by the Company. In the event of a claim arising under this MOC the Company agree to waive any rights, remedies or relief to which they might be entitled by subrogation against:

- (i) a company standing in the relation of parent to subsidiary (or subsidiary to parent) to the Insured as defined in the Companies Act or Companies (Northern Ireland) Order (or any more applicable legislation or regulations in the country in which the Insured is registered) current at the time of Damage or Consequential Loss.
- (ii) any company which is a subsidiary of a parent company of which the Insured are themselves a subsidiary within the meaning of the Companies Act or Companies (Northern Ireland) Order (or any more applicable legislation or regulations in the country in which the Insured is registered) current at the time of Damage or Consequential Loss.

Any release from liability entered into in writing by the Insured prior to loss hereunder shall not affect this MOC or the right of the Insured to recover hereunder. If any amount is recovered as a result of such proceedings, such amount shall be distributed in the following priorities:

- (iii) Any interest, (including the Insured's), exclusive of any excess or self-insured retention, suffering a loss of the type covered by this MOC and in excess of the coverage under this MOC shall be reimbursed up to the amount of such loss (excluding the amount of the excess);
- (iv) Out of the balance remaining, the Company shall be reimbursed to the extent of payment under this MOC;



## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

- (v) The remaining balance, if any, shall inure to the benefit of the Insured, or the Company, with respect to the amount of such primary insurance, excess, self-insured retention, and/or loss of a type not covered by this MOC.

The expense of all proceedings necessary to the recovery of any such amount shall be apportioned between the interests concerned, including that of the Insured, in the ratio of their respective recoveries as finally settled. If there should be no recovery and proceedings are instituted solely on the initiative of the Company, the expense thereof shall be borne by the Company.

- g) Payments on Account

Payments on account will be made to the Insured if the Insured wishes, subject to any necessary adjustment at the termination of such period.

### **5. Fraud and Misrepresentation**

This MOC shall be voidable in the event of fraud or if any fraudulent means or devices are used by the Insured or anyone acting on their behalf to obtain benefit under this MOC, or in the event of deliberate misrepresentation, misdescription or nondisclosure of any material particular relevant to the risk covered or any claim hereunder. The Company rights, in the event of non fraudulent non-disclosure or innocent or negligent misrepresentation or misdescription of material particulars relevant to the risk covered or any claim hereunder by the Insured are limited to the right to charge an increased contribution which could reasonably have been demanded had such non-disclosure, misrepresentation or misdescription not occurred.

### **6. Abandonment**

There shall be no abandonment to the Company of any property.

### **7. Inspection and Audit**

The Company shall be permitted but not obligated to inspect the Insured's property at any time. Neither the Company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe. The Company may examine and audit the Insured's books and records at any time up to two years after the final termination of this MOC, as far as they relate to the subject matter of this coverage.

### **8. Cancellation**

This MOC may be cancelled by the Named Insured at any time by written notice or surrender of this MOC. This MOC may also be cancelled by or on behalf of the Company by delivering to the Named Insured or by mailing to the Named Insured, by registered, certified or other first class mail at the Named Insured's address as shown in this MOC, written notice, not less than ninety (90) days prior to the effective date of cancellation.

The mailing of such notice as aforesaid shall be sufficient proof and this MOC shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this MOC be cancelled for non-payment of contribution, the Company shall only be required to give the Named Insured ten (10) days notice.





## **SCHOOLS PROGRAM ALLIANCE PROPERTY PROGRAM DECLARATIONS**

If this coverage in total shall be cancelled by the Named Insured, the Company shall retain the customary short rate proportion of the contribution hereon. If the Company elects to cancel coverage mid-term, then such cancellation shall be handled on a pro-rata basis without short rate penalty.

Payment or tender of any unearned contribution by the Company shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not affect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

It is understood and agreed that if the Named Insured cancels this MOC, the MOC is subject to 25% minimum earned contribution regardless of the length of time coverage is in force.

### **9. Arbitration**

- (a) If any dispute, controversy or claim arises out of or in connection with this MOC, including any question regarding its existence, validity or termination (a Dispute) the parties shall use all reasonable endeavors to resolve the matter amicably. If one party gives the other party notice that a Dispute has arisen and the parties do not resolve the Dispute within thirty (30) days of service of the notice then the Dispute shall be referred to the representatives of the parties who shall, acting jointly and in good faith, attempt to resolve the Dispute. No party shall resort to arbitration against the other party under this MOC until thirty (30) days after such referral.
- (b) All Disputes, which are unresolved pursuant to (a) above and which a party wishes to have resolved, shall be referred upon the application of any party to and finally settled under the London Court of International Arbitration Rules (the Rules) in force at the time the proceedings are commenced, which Rules are deemed to be incorporated by reference to this Arbitration clause. The number of arbitrators shall be three (3), appointed in accordance with the Rules. The seat of the arbitration shall be as stated in the herein. The language of this arbitration shall be English and the award shall be final and binding upon the parties. The arbitrators shall interpret this MOC on the basis of the law identified herein.
- (c) The costs and expenses of the arbitration shall be borne by the Insured and the Company as ordered by the arbitration tribunal. Such legal costs and expenses will not be part of the Limit of Liability.
- (d) The Insured and the Company agree to keep confidential to themselves and their legal and other professional advisers the existence and details of any proceedings pursuant to this Arbitration clause, including their submissions and evidence and all and any awards (including their content, reasons and result) except to the extent that such documents or information are in the public domain or required by a legal duty to be disclosed or disclosure is reasonably necessary to protect or pursue a legal right or remedy or if required by any agency or authority in charge of regulating securities.

### **10. Jurisdiction**

Any dispute which does not fall within the Arbitration clause of this Contract shall be determined under the exclusive jurisdiction of the courts as stated herein.



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**PROGRAM AND/OR NAMED INSURED AND/OR DECLARATION SPECIFIC  
ENDORSEMENTS TO BE PROVIDED AFTER THE ABOVE PAGE**



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**ENDORSEMENT NO. 1 - COVERAGE TERRITORY ENDORSEMENT**

This endorsement modifies coverage provided by the MOC:

The Company shall not be deemed to provide cover and the Company shall not be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the Company, its parent company or its ultimate controlling entity to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union or the United States of America.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

**PR4225 (07/13)**



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**ENDORSEMENT NO. 2 - WAR AND TERRORISM EXCLUSION ENDORSEMENT**  
(Not applicable to Section IX TERRORISM INCLUDING SABOTAGE EXTENSION)

Notwithstanding any provision to the contrary within this coverage or any endorsement thereto it is agreed that this coverage excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

- (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
- (2) any act of terrorism.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this coverage the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED. NMA2918 08/10/2001**



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**ENDORSEMENT NO. 3 - COMMUNICABLE DISEASE ENDORSEMENT**

This endorsement modifies coverage provided by the MOC:

1. This MOC, subject to all applicable terms, conditions and exclusions, covers losses attributable to direct physical loss or physical damage occurring during the period of coverage. Consequently and notwithstanding any other provision of this MOC to the contrary, this MOC does not insure any loss, damage, claim, cost, expense or other sum, directly or indirectly arising out of, attributable to, or occurring concurrently or in any sequence with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease.
2. For the purposes of this endorsement, loss, damage, claim, cost, expense or other sum, includes, but is not limited to, any cost to clean-up, detoxify, remove, monitor or test:
  - 2.1. for a Communicable Disease, or
  - 2.2. any property insured hereunder that is affected by such Communicable Disease.
3. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
  - 3.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not, and
  - 3.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and
  - 3.3. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property insured hereunder.
4. This endorsement applies to all coverage extensions, additional coverages, exceptions to any exclusion and other coverage grant(s).

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**



SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS

ENDORSEMENT NO. 4 VALUES LIMITATION CLAUSE ~~IN RESPECT OF BUTTE SCHOOLS SELF-FUNDED PROGRAMS ONLY.~~

The premium cost allocation for this Policy MOC is based upon the schedule of values reported to and on file with the Underwriters, or attached to this Policy SPA and its reinsurance underwriters. In the event of any covered loss under this Policy MOC, the liability of the Underwriters SPA (and the reinsurance underwriters) relative to property damage and time element loss, as insured covered by this Policy MOC, shall, notwithstanding anything contained herein to the contrary, be limited to the least of the following:

- (a) The actual adjusted amount of the loss within the coverage of the Policy MOC, less applicable deductible(s).
- (b) (1) for property damage loss, ~~140~~ 125% of the total property values for each location.  
(2) for time element loss, as insured by this Policy, ~~140~~ MOC, 125% of the time element values for each location as
- (3) for Increased Cost of Construction, 100% of the total property values for each location

Sections (1) - (3) above are based on the most current reported on the above said schedule of values for each location, less applicable deductible(s).

- (c) The Policy MOC limit of liability or applicable sub-limit(s) of liability, less applicable deductible(s).

The above provisions will apply to the listed locations in the table below:

**ADD TABLE**

All other terms and conditions remain unchanged.

LMA5060

15/03/2006

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**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**ENDORSEMENT NO. 5 – AMENDMENTS TO THE MOC  
WORDING**

(Only applies to London Supported  
Capacity)

- 1) **SECTION I – GENERAL PROVISIONS. F. LIMITS OF LIABILITY, 2. SUB-LIMITS OF LIABILITY** are amended as follows:

Included            Electronic Data Processing Equipment and Hardware (refer to LMA5400)

\$10,000,000        Electronic Data Processing Data and Media – Physical Damage Only (refer to LMA  
5400) The following is added:

No Coverage  
Provided            Cyber Act (refer to LMA 5400)

- 2) **G. DEDUCTIBLE PROVISIONS** are amended as

follows: The following is deleted:

**Wildfire**

USD 5,000,000 per occurrence in respect of Butte Schools Self-Funded Programs  
USD 2,500,000 per occurrence in respect of Redwood Empire Schools' Insurance Group  
USD 250,000 per occurrence for all other members.

In the event that two or more members are affected by the same Wildfire occurrence, only the largest deductible shall apply

And replaced with:

**Wildfire**

USD 5,000,000 per occurrence in respect of Butte Schools Self-Funded Programs  
USD 2,500,000 per occurrence in respect of Redwood Empire Schools' Insurance Group  
USD 500,000 per occurrence in respect of Schools Insurance Authority and Schools Insurance Group  
USD 250,000 per occurrence in respect of North Bay Schools Insurance Authority

If members with the same Wildfire deductible are affected by the same Wildfire occurrence only one deductible applies combined.

If members with different Wildfire deductibles are affected by the same Wildfire occurrence, both deductibles apply to their respective loss.



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

- 3) **SECTION II B. 21 ACCIDENTAL CONTAMINATION** is deleted and replaced with the following:

This MOC is hereby extended to cover Business Interruption and Property Damage loss as a result of accidental contamination, discharge or dispersal from any source to Covered Property, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the covered property to the same condition as existed prior to loss. All accidental contamination, discharge or dispersal including that as a result is itself caused by physical damage to covered property by fire, lightning, flood, earth movement, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to \$ 1,000,000 per occurrence for all properties combined.

For the purposes of this Accidental Contamination clause only, the term “Covered Property”, as covered by this MOC, is held to include Land (and Land Values) on which Covered Property is located whether or not the same are excluded by this MOC.

It is further understood and agreed that this coverage clause shall not override anything contained in Asbestos Clean Up and Removal in this MOC.

- 4) **SECTION IV – GENERAL CONDITIONS. Z. ELECTRONIC DATA** is deleted in its entirety and is replaced with **ENDORSEMENT NO. 5 – PROPERTY CYBER AND DATA ENDORSEMENT.**

- 5) **THE FOLLOWING TERRITORIAL EXCLUSION CLAUSE IS ADDED:**

**Territorial Exclusion: Russia, Ukraine and Belarus**

Notwithstanding anything to the contrary in this Policy, this Policy excludes any loss, damage, liability, cost or expense of whatsoever nature, directly or indirectly arising from or in respect of any:

- i. entity domiciled, resident, located, incorporated, registered or established in an **Excluded Territory**;
- ii. property or asset located in an **Excluded Territory**;
- iii. individual that is physically in an **Excluded Territory**;
- iv. claim, action, suit or enforcement proceeding brought or maintained in an **Excluded Territory**;
- v. payment in an **Excluded Territory**.

This exclusion will not apply to any coverage or benefit required to be provided by the insurer by law or regulation applicable to that insurer, however, the terms of any sanctions clause will prevail.

For purposes of this exclusion, “**Excluded Territory**” means:





**SCHOOLS PROGRAM ALLIANCE  
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- Belarus (Republic of Belarus); and
- Russian Federation; and
- Ukraine (including any disputed regions of Ukraine and including the Crimean Peninsula)

All other terms, conditions and exclusions remain unchanged.

LMA5583B  
8 March 2023

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**ENDORSEMENT NO. 6 - PROPERTY CYBER AND DATA**

**ENDORSEMENT**

(Only applies to London Supported  
Capacity)

This endorsement modifies coverage provided by the MOC:

1 Notwithstanding any provision to the contrary within this MOC or any endorsement thereto this MOC

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 MOC or any endorsement thereto, this MOC covers physical loss or physical damage to property insured under this MOC 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 MOC or any endorsement thereto, should Data Processing Media owned or operated by the Insured suffer physical loss or physical damage insured by this MOC, then this MOC 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 MOC 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 MOC or any endorsement thereto having a bearing on Cyber Loss, Data or Data Processing Media, replaces that wording.



**SCHOOLS PROGRAM ALLIANCE  
PROPERTY PROGRAM DECLARATIONS**

**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 unauthorized, malicious or criminal act or series of related unauthorized, 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 MOC on which Data can be stored but not the Data itself.

LMA5400

11 November 2019

**ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.**

Item No: H.3.

## **2024 PROPERTY (AND APD/ADWP) RENEWAL – RENEWAL STATUS UPDATE**

### **ACTION ITEM**

**ISSUE:** The topics to be covered include:

1. Update on costs since not-to-exceed positions in May.
2. Update on alternative Retained Layer positions.
3. Update on coverages items (WF deductibles for certain members).
4. Preparation/discussion for the upcoming “true-up” pre-binding.

**RECOMMENDATION:** The Board approve the updated renewal cost positions and any improvement in coverage items. Delegate authority to the Managing Member to bind more favorable terms after the Board meeting.

**FISCAL IMPACT:** Cost of reinsurance coverage per SPA Member.

**BACKGROUND:** This item remains on the agenda from January – June each year, touching on the progression of topics related to the renewal and marketing phase of the SPA Property, APD and ADW programs. We begin this item with pre-renewal discussions (and presentation) regarding topics of importance as we lead into the renewal season. We discuss and review, as needed, the data request for the submission each year. As the data is collected and the submission is created, we use this time to review key updates on the submission, in particular, how we are being represented in the market (what our losses show, what our exposures and changes show, etc.). This item is also used to update the board on market “happenings” and feedback from the marketplace on our program throughout the marketing phase. Additionally, as the modeling and/or any actuarial structuring and pricing initiatives are completed, these are presented and discussed with the board (AIR and CoreLogic results). As quotes and terms are received from the markets, these are presented and discussed with the to the board. And finally, the discussion of “not to exceed”, as well as binding intentions and orders are presented to and sought from the board as this item rounds out in May and June. A true-up will be performed in late June, in order to bind the markets with the most recent exposure base (final cost allocations could be impacted once the true-up is known, based on exposure changes).

### **ATTACHMENT(S):**

1. Updated Renewal Workbook (AmWINS) – *Handout*
2. Cost changes from May Not-to-Exceed Positions – *Handout*

Item No: H.4.

## **SPA PROPERTY APPROVAL OF MOC**

### **ACTION ITEM**

**ISSUE:** Board to receive the proposed Memorandum of Coverage (MOC) for July 2024/25.

**RECOMMENDATION:** The Board review and approve the proposed changes.

**FISCAL IMPACT:** N/A

**BACKGROUND:** The SPA MOC is used to evidence the coverage provided by SPA to its members. Each year, changes are made to the MOC. Some changes are made to keep the MOC current (i.e., dates). Other changes are the result of SPA Board actions on coverage or Reinsurance marketplace actions.

This year, the material changes to the MOC include:

1. Vacant Property topic (previously reviewed and approved)
2. Remote and High Risk location limitation (partially approved in May with revisions included in this Agenda)

**ATTACHMENTS:** Proposed 2024/25 MOC

Note: The revised endorsement for the Remote and High Risk locations topic will be provided after the June 7<sup>th</sup> ad hoc committee meeting and before the June 10<sup>th</sup> board meeting. The only change from the current attachment will be the official proposed list of locations being added to the endorsement.



## Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 460, Sacramento, CA 95815

Board of Directors Teleconference Meeting

June 10, 2024

Item No: H.5.

### APPROVAL OF PROPERTY PROGRAM CLAIMS PAYMENTS

#### ACTION ITEM

**ISSUE:** Claim payment is due to a SPA member

**RECOMMENDATION:** Approve payments as presented.

**FISCAL IMPACT:** Payments totaling \$222,249.47 will reduce cash balance and outstanding liabilities.

**BACKGROUND:** The SPA Claims Payment Policy, approved May 24, 2023, provides direction including Board approval of payments, the participation of a Loss Adjustment Service Firm (McLarens), and due diligence reconciliation of claimed expenses and excess insurance participation, reimbursements, and final payments.

Claim payment is due to SPA member(s) per costs incurred by the member, submitted and approved by McLarens pursuant to the SPA Claims Payment Policy.

#### Schedule of payments

Member	Claim	Description	Amount	Notes
SIA	Center Joint Unif	SPA Retained layer	\$222,249.47	Water damage

**ATTACHMENTS:** See attached SPA Claim Reconciliation forms for additional details.

Amount of Policy \_\_\_\_\_

**SWORN STATEMENT**  
in

Policy Number 38412469/02

Agency Name Alliant Insurance Services

**FINAL PROOF OF LOSS**

Issued  
July 1, 2022

Expires  
July 1, 2023

To Schools Program Alliance  
of Sacramento, California

By the above indicated policy of insurance you insured Schools Insurance Authority (SIA), including its member, Center Joint Unified School District

against loss by all risk of physical damage upon the property described, according to the terms and conditions of the said conditions of the said policy and all forms, endorsements, transfers and assignments attached thereto.

**1. Time and Origin:** A loss occurred about the hour of \_\_\_\_\_ o'clock \_\_\_\_ M., on the 14<sup>th</sup> day of January 20 23.  
The cause and origin of said loss were: Water damage

**2. Occupancy:** The building described, or containing the property described, was occupied at the time of the loss as follows, and for no other purpose whatever: Antelope, California

**3. Title and Interest:** When this policy was acquired and at the time of the loss the interest of your insured in the property described therein was sole and unconditional ownership, and no other person or persons had any interest therein or incumbrance thereon. (State exceptions, if any.) NO EXCEPTIONS

**4. Changes:** Since the said policy was acquired there has been no assignment thereof, or change of ownership, use, occupancy, possession, location or exposure of the property described, or of our insured's interest therein. (State exceptions, if any.)  
NO EXCEPTIONS

**5. Total Insurance:** The total amount of insurance upon the property described by this policy was, at the time of the loss,

**6. The Cash Value** of said property at the time of loss was ..... \$ Not Determined

**7. The Whole Loss and Damage** was ..... \$ 472,249.47

**8. The Amount Claimed** under the above numbered policy ..... \$ 222,249.47

(Amount Claimed is net applicable \$250,000.00 deductible.)

The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing has been done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were in the building damaged or destroyed, and belonging to, and in possession of the said insured at the time of said loss; no property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered as part of this proof.

The furnishing of this blank or the preparation of proofs by a representative of the above insurance company is not a waiver of any of their rights.

**FOR YOUR PROTECTION, CALIFORNIA LAW REQUIRES THE FOLLOWING TO APPEAR ON THIS FORM:**

**Any person who knowingly presents false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.**

State of \_\_\_\_\_

Med. B. B. B.  
(Insured Signature)

County of \_\_\_\_\_

Insured

Subscribed and sworn to (or affirmed) before me on this 14 day of May (month), 2024 (year) by

\_\_\_\_\_ proved to me on the basis of satisfactory evidence to be the person(s) who appear before me.

\_\_\_\_\_  
(signature of Notary)

SPA CLAIM RECONCILIATION

Member: SIA  
Claim: Center JUSD Water Damage  
Occurrence Date: 1/14/23  
Claim Status: Closed, pending reimbursement

Member Reconciliation

5/14/2024 Final Proof of Loss	472,249.47
Member Deductible	(250,000.00)

Amount due to Member	222,249.47
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Excess Carrier Reconciliation

No Activity - closed within SPA SIR	0.00
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Amount due from Excess Carrier	0.00
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Amount of Policy \_\_\_\_\_

**SWORN STATEMENT**  
in

Policy Number 38412469/02

Agency Name Alliant Insurance Services

**FINAL PROOF OF LOSS**

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NO EXCEPTIONS

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**6. The Cash Value** of said property at the time of loss was ..... \$ Not Determined

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**8. The Amount Claimed** under the above numbered policy ..... \$ 222,249.47

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The said loss did not originate by any act, design or procurement on the part of your insured, or this affiant; nothing has been done by or with the privity or consent of your insured or this affiant, to violate the conditions of the policy, or render it void; no articles are mentioned herein or in annexed schedules but such as were in the building damaged or destroyed, and belonging to, and in possession of the said insured at the time of said loss; no property saved has in any manner been concealed, and no attempt to deceive the said company, as to the extent of said loss, has in any manner been made. Any other information that may be required will be furnished and considered as part of this proof.

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State of \_\_\_\_\_

Med. B. B. B.  
(Insured Signature)

County of \_\_\_\_\_

Insured

Subscribed and sworn to (or affirmed) before me on this 14 day of May (month), 2024 (year) by

\_\_\_\_\_ proved to me on the basis of satisfactory evidence to be the person(s) who appear before me.

\_\_\_\_\_  
(signature of Notary)

Item No: I.1.

## **STRATEGIC PLANNING OVERVIEW FOR AUGUST 20-21, 2024**

### **INFORMATION ITEM**

**ISSUE:** The Action Plan developed at SPA's recent Long Range Planning Meeting is attached for further review and approval by the Board.

A total of eight goals were identified, ranging from identifying and sharing resources to evaluating coverage for school sponsored housing. Six of the goals contain action items that are addressed later in the agenda for this meeting.

**RECOMMENDATION:** None.

**FISCAL IMPACT:** None expected from this item. Several of the goals have potential fiscal impacts that will be evaluated when addressed with the members.

**BACKGROUND:** SPA held its third long range planning meeting on September 11-12, 2023 and developed the attached Plan as a result. Key discussion points centered on the nature and extent of risk sharing among the members, growth of membership and coverage options, and identifying resources for sharing or group purchase.

**ATTACHMENTS:** FY 23/24 SPA Long Range Action Plan



## Score an A+ with Your Educational Entity Clients: Public Entity Trends and Strategies for Renewal

Leverage the following insights to keep a pulse on industry trends and to guide conversations with your education accounts.

### CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to Amwins Specialty Casualty Solutions or your local Amwins broker.

### LEGAL DISCLAIMER

Views expressed here do not constitute legal advice. The information contained herein is for general guidance of matter only and not for the purpose of providing legal advice. Discussion of insurance policy language is descriptive only. Every policy has different policy language. Coverage afforded under any insurance policy issued is subject to individual policy terms and conditions. Please refer to your policy for the actual language.

*Courtesy of Amwins Group, Inc.*





## Trends shaping the educational entity market



### Increase of nuclear verdicts

According to an analysis by Marathon Strategies, the medium nuclear verdict rose to \$44 million in 2023, showcasing the devastating impact high-stakes claims can have on insurance companies and their clients. Several factors can contribute to the growth of nuclear

verdicts, such as corporate mistrust, social pessimism, erosion of tort reform, and public desensitization of large numbers. The growing prevalence of nuclear verdicts is not only escalating the cost of claims but also contributing to rate increases across the board.



### Property and casualty market trends

The property market is beginning to show signs of improvement. The pace of rate increases is anticipated to slow down for most insureds, including public entities. In addition, more capacity is available, and CAT deductibles are more manageable and budget-feasible through deductible-buyback programs.

Although 2024 seems more favorable than 2023, insureds will need to differentiate themselves to secure the best available market terms. Retail agents should instruct their clients to provide updated property appraisals. If a property appraisal hasn't been completed in the last two years or more, the client can apply an inflation factor through replacement cost valuation resources such as Marshall & Swift to help establish an

accurate insured value. Additionally, if the client has had a large loss, the client must indicate what corrective measures have been implemented to prevent recurrence.

On the casualty side, the frequency and severity of active-shooter claims have intensified. These claims involve multiple claimants and affect various lines of coverage, including liability (for student injury or death), workers' compensation (for employee injury or death), and property damage. Retail partners can support their clients by educating them about securing a crisis-management policy, implementing best practices for campus-access control, and collaborating with local law enforcement.



## Trends shaping the educational entity market *(continued)*



### Cyber liability claims on the rise

In recent years, cyberattacks have become a growing threat to school districts. Cybercriminals often target schools due to their insufficient cybersecurity infrastructure. Most schools lack the staff to manage Internet safety risks associated with educational technology, putting students at risk. Faculty and staff are vulnerable to phishing, ransomware and extortion, among other threats. An analysis by cybersecurity firm Emsisoft estimated that 108 school districts in the U.S. were victims of a cyberattack in 2023. Dealing with a cyberattack can be an unexpected financial burden for schools. Due to this, public entities such as schools, colleges and universities are scrambling to secure cyber coverage. However, with numerous carriers exiting the space due to escalating cyber liability claims, public

entities lacking cyber safeguards will struggle to find proper coverage in the current market. Those who have spent the past year improving their cyber hygiene and security typically will be rewarded with smaller renewal rate increases and improved coverage enhancements, such as higher sublimits for key coverages.

To help clients secure more competitive quotes, retail brokers should educate them about the importance of vetting and securing service vendors with domain admin authority. Service or third-party vendors who are not actively protecting their networks and data might become the weak links in a client's cyber security protocols and generate a loss for the client.



**Given today's educational entity market dynamics, retailers must start early and provide a complete submission, including loss runs, risk-management efforts, and actuarial reports and appraisals (if applicable).**

## Types of claims generating the largest losses

According to the 2024 United Educators (UE) Large Loss Report\*, the number of publicly reported losses of at least \$1 million in damage awards and settlements from K-12 schools, colleges and universities came from the following top categories in 2023:

- Sexual misconduct
- Accidents and crimes resulting in death
- Discrimination

*\*The Large Loss Report 2024 summarizes 71 publicly reported major damage awards and settlements of at least \$1 million that affected K-12 schools, colleges and universities in 2023*



A black and white photograph of two women walking outdoors. The woman on the left has short, light-colored hair, wears glasses, and a dark polka-dot shirt. The woman on the right has long, dark, curly hair and wears a light-colored button-down shirt. They are both smiling and laughing, looking at each other. The background is blurred, showing trees and a path.

## Questions to ask new board of education members and district decision-makers

Given the evolving nature of school-district leadership, new members often face a learning curve in understanding the district's history of losses, risk-management practices, and different types of insurance structures and their implications on budgeting and out-of-pocket costs. Initiate a conversation with your clients and ask them the following questions to help them make informed decisions when choosing their liability coverage:

- What are their exposures?
- What is their budget?
- What is their risk tolerance? Do they want to undertake more or less exposure?
  - Are they more comfortable with a self-insured retention (SIR) or first-dollar workers' compensation program? Do they understand the difference?
- What loss control/risk prevention measures have they implemented?
- How often does the board of directors/educators meet to revise and plan implementation for training programs, such as but not limited to, governance training, pool management and risk management?
- How involved is the board of directors/educators in understanding the legal implications of their decision-making? Do they understand their own governing documents? How often does the board undergo training?

**Finding the right coverage for school districts can be challenging. The experts at Amwins Specialty Casualty Solutions can help you make the grade with your clients.**

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