

AGENDA

MEETING: Board of Directors Meeting
 Schools Program Alliance
 Teleconference Meeting

DATE/TIME: March 9, 2026 at 10:00 AM PDT

TELECONFERENCE: Toll Free [\(888\) 475 4499](tel:8884754499) or [\(669\) 900-6833](tel:6699006833) US Toll

Meeting number (access code): 936 9616 4996

<https://alliantinsurance.zoom.us/j/93696164996?pwd=58XQmC0bR3ImVzhU4Ks5hfh488dh7a.1>

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 380, 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 Authority, 85 Hartnell Suite 200, Redding, CA 96002
6. Schools Insurance Group, 550 High Street, Ste. 201, Auburn, CA 95603
7. Central California Schools Authority, 7170 N. Financial Dr. #130, Fresno, CA 93720

<i>PAGE</i>	A. CALL TO ORDER, ROLL CALL, QUORUM	A	4
	B. APPROVAL OF AGENDA AS POSTED	A	4
	C. PUBLIC COMMENTS <i>The public is invited at this point to address the Board of Directors on issues of interest to them.</i>	I	4
	D. CONSENT CALENDAR <i>The Board of Directors may act on the item(s) below as a group though a Board Member may request an item be removed from the Calendar for separate discussion and action.</i>	A	1

Pg. 5 1. Minutes of SPA Board Teleconference Meeting February 9, 2026

<i>Pg. 10</i>	E. MEMBER PROGRAM AND IDEA SHARING <i>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. Please email a copy of any materials to each member in advance of the meeting.</i>	I	4
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Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 380, Sacramento, CA 95815

J. ADJOURNMENT

A 4

Upcoming Teleconference Meeting Dates: April 6, 2026, and May 11, 2026



Item 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.

PUBLICATION: None.

ATTACHMENTS:

1. Minutes of SPA Board Teleconference Meeting February 9, 2026



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 380, Sacramento, CA 95815

**SCHOOLS PROGRAM ALLIANCE
February 9, 2026 Board Of Directors Teleconference
Meeting Minutes**

Members Present:

- | | |
|---|--------------------|
| Butte Schools Self-Funded Programs (BSSP) | Christy Patterson |
| Butte Schools Self-Funded Programs (BSSP) | Nicole Strauch |
| North Bay Schools Insurance Authority (NBSIA) | Noel Waldvogel |
| North Bay Schools Insurance Authority (NBSIA) | Karen Shelar |
| Redwood Empire Schools Insurance Group (RESIG) | Cindy Wilkerson |
| Redwood Empire Schools Insurance Group (RESIG) | Sandy Manzoni |
| Schools Insurance Authority (SIA) | Brooks Rice |
| Schools Insurance Authority (SIA) | Debrah Sherrington |
| Schools Insurance Authority (SIA) | Josh Arnold |
| Schools Insurance Authority (SIA) | Olivia Nelson |
| Schools Insurance Authority (SIA) | Phil Brown |
| Schools Insurance Authority (SIA) | Amy Russell |
| Schools Insurance Group (SIG) | Kelli Hanson |
| Schools Insurance Group (SIG) | Nancy Mosier |
| Central California Schools Authority (CCSA) | Alan Caeton |
| Central California Schools Authority (CCSA) | Jeff Pierce |

Members Absent: None.

Consultants & Guests:

- | | |
|--|-----------------------------------|
| Dan Madej, Alliant Insurance Services | Mike Kielty, George Hills |
| Dan Howell, Alliant Insurance Services | Jim Wilkey, Newfront |
| Marcus Beverly, Alliant Insurance Services | Eileen Masa, Newfront |
| Michelle Minnick, Alliant Insurance Services | Mike Harrington, Bickmore Actuary |
| Jenna Wirkner, Alliant Insurance Services | Denise Schreiner, NBSIA |

A. CALL TO ORDER, ROLL CALL, QUORUM

Ms. Cindy Wilkerson called the meeting to order at 10:01 a.m. and welcomed the board. The above-mentioned members were present constituting a quorum.

B. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

**MOTION: Kelli Hanson SECOND: Christy Patterson MOTION CARRIED
UNANIMOUSLY**

C. PUBLIC COMMENT

There were no public comments.

D. CONSENT CALENDAR

1. Minutes of SPA Board Teleconference Meeting January 12, 2026

A motion was made to approve the minutes.

MOTION: Kelli Hanson

SECOND: Christy Patterson

**MOTION CARRIED
UNANIMOUSLY**

E. MEMBER PROGRAM AND IDEA SHARING

This time was reserved for members to share items of interest to the group. Noel Waldvogel introduced Denise Schreiner who has been working on training for volunteers and shared a draft of the SB 848 Compliance Checklist for Members that they have been developing.

F. LIABILITY PROGRAM

F.1. EXCESS LIABILITY PROGRAM

Jim Wilkey provided the Board with an update on the Excess Liability Program and noted they have received all items needed to submit to the market except for a consolidated loss run. He also indicated meetings with underwriters have been set up during the PARMA Conference to help facilitate discussions.

G. GENERAL ADMINISTRATION AND FINANCIAL REPORTS

G.1.A. STANDING COMMITTEE AND TASK GROUP UPDATES – LIABILITY CLAIMS TASK FORCE

Olivia Nelson noted they met on the 27th and talked about the report that was mentioned by Jim Wilkey. The BASIC members reports are still needed. They are in the process of data collection for review of MOLC to identify any differences. It was also noted the Defense Symposium that members attended last week was great for education with a litigation consultant and was helpful.

G.1.B. STANDING COMMITTEE AND TASK GROUP UPDATES – PROPERTY PROGRAM LOSS CONTROL AD HOC COMMITTEE

Sandy Manzoni noted they met in January and everyone is still working on ideas but noted there will be some Fire Safety Classes which are open to all taking place on 3/17 & 3/18 (California Safety Training).

G.1.C. STANDING COMMITTEE AND TASK GROUP UPDATES – PROPERTY CLAIMS COMMITTEE

Josh Arnold discussed the committee has been meeting monthly and next week is the next meeting. It was noted that the top four vendors per the survey: RMC, ATI, Belfor, and Dry Creek. Josh will be creating a material flyer for distribution to the SPA Group. It was noted a new loss has been submitted and Engle Martin has been assigned and has been working with the SIG group.

G.1.D. CYBER WORKING GROUP

Phil Brown noted the cyber working group met last week and noted that Alliant facilitated a meeting with Archipelago (property control inventory system). Additionally, the data analytics provided by Archipelago

include information that can help with underwriting and the Alliant staff is working to bring together the data transmission between the current Property Schedule Database (Alliant Connect) and Archipelago.

G.1.E. STANDING COMMITTEE AND TASK GROUP UPDATES – COST ALLOCATION TASK FORCE

Phil Brown noted that they have met with the actuary and provided the background on what SPA has done in the past. He mentioned that the task force has been focusing on the use of experience modifiers and where to apply an experience modifier (either retained layer and/or the insurance cost). Additional topics of consideration were collars, and surcharges or enhanced contribution for members with lots of claims. The task force is seeking to establish something that is simpler and easier to understand and find a model that removes the use of judgment when allocating premiums. Mike Harrington provided a summary of the group's efforts and mentioned an alternate method which would use a frequency-based approach, rather than focus on who had the most loss severity in the pooled layer. After a discussion it was noted that the task force will continue to meet and explore an experience-based model, and a frequency-based model and the task force will come back to the Board with a recommendation.

G.1.F. SPA PRIMARY LIABILITY LAYER AD HOC COMMITTEE

Phil Brown discussed the SPA Primary Liability Layer Ad Hoc Committee and noted after consideration the earliest implementation date for an excess liability shared risk layer would be July 1, 2027. He went on to note they have been discussion a variety of options including the consideration of a shared retained risk layer from \$1 million to \$2.5 million. It was noted that there is additional analysis needed on MOC's as there are differences between our primary layer MOC's.

G.2. STRATEGIC PLANNING OBJECTIVES

Marcus Beverly discussed Strategic Planning Objectives and noted that we have discussed lots of items during this meeting. He highlighted a few of the items that are being discussed at this meeting and noted that efforts continue for items related to the CAJPA Accreditation review.

G.3. MANAGING MEMBER FINANCIAL REPORT

Phil Brown provided a review of the financials as of December 31, 2025 and reported the net position of \$6.1M and noted there were no claims reported through December. It was also noted that Gilbert is working to finish the financial audit.

A motion was made to approve.

MOTION: Christy Patterson

SECOND: Alan Caeton

**MOTION CARRIED
UNANIMOUSLY**

G.4. INVESTMENT POLICY

Phil Brown reviewed the drafted investment policy which was modeled after SIA's and mentioned he added a procedure for investment of funds, which is another requirement for CAJPA Accreditation. It was asked if this needed to be reviewed by legal counsel prior to passing – it was noted that this is not required by law and the investment policies used to create the SPA Investment policy have been reviewed and approved by different counsel.

A motion was made to approve the investment policy as presented.

MOTION: Brooks Rice

SECOND: Alan Caeton

**MOTION CARRIED
UNANIMOUSLY**

G.5. UPDATE ON CCSA REQUEST TO CONSIDER NEW MEMBER - FRESNO UNIFIED SCHOOL DISTRICT

Dan Howell noted that Alan Caeton has been working to collect the data that is required for Underwriting consideration and noted that they are seeking to join property coverage eff. 4/1/26. It was noted this would be brought back to the March meeting for approval of Property portion for effective date 4/1/26. It was noted they have very good rate right now but there will be additional costs to include (property appraisals).

G.6. STRATEGIC PLANNING MEETING LOCATION

Jenna Wirkner noted that we have contacted the Tiburon Lodge, same venue as last year, and mentioned that the room rates have decreased. After a brief discussion it was generally agreed to execute an agreement with Tiburon Lodge for the dates August 25-August 26, 2026.

G.7. APPL QUOTE

Dan Howell provided a review of the quote from the APPL program – he noted there are various deductible options and the group was asked to select their preferred option. After discussion it was agreed to approve the purchase at the \$1M limit with \$100,000 deductible.

A motion was made to approve the \$1,000,000 limit with \$100,000 deductible for \$15,000 premium.

MOTION: Christy Patterson

SECOND: Noel Waldvogel

**MOTION CARRIED
UNANIMOUSLY**

H. PROPERTY PROGRAM

H.1. PROPERTY PROGRAM ACTUARY REPORT AS OF JUNE 30, 2025

Phil Brown noted that the actuary report has been included in the packet. After a brief discussion a motion was made to accept as presented.

A motion was made to approve the actuary report as presented.

MOTION: Alan Caeton

SECOND: Christy Patterson

**MOTION CARRIED
UNANIMOUSLY**

H.2. PROPERTY PROGRAM UPDATE

Dan Madej provided the Board with an update noting we are in the data collection phase at this time. Unlike prior years, we have started the data updates early to ensure we are prepared for the APIP Renewal. Members were encouraged to keep submitting updates to member schedules until notified. Dan Howell noted that the property market is still softening and we will be pushing for the best rate we can get.

I. INFORMATION ITEMS

Dan Howell noted that we have shared the AGRIP 5 Myths and Truths About AI and Pooling as the article was well written and provided his takeaway - picking small initial projects that you can actually accomplish will help to get the ball rolling rather than attacking on all fronts. Additionally, it was mentioned that RESIG is working on a bot but it is not yet ready and they are also exploring the use of Microsoft Co-Pilot and ChatGPT.

J. ADJOURNMENT

The meeting was adjourned at 11:52 A.M.

NEXT MEETING DATE: March 9, 2026 via Teleconference

Respectfully Submitted,

Kelli Hanson, Secretary

Date



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

**Board of Directors
Teleconference Meeting
March 9, 2026**

Item E.

**MEMBER PROGRAM AND IDEA SHARING
INFORMATION ITEM**



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

**Board of Directors
Teleconference Meeting
March 9, 2026**

Item F.

EXCESS LIABILITY UPDATE

INFORMATION ITEM



Item G.1.

GENERAL ADMINISTRATION AND FINANCIAL REPORTS

STANDING COMMITTEE AND TASK GROUP UPDATES

INFORMATION ITEM

- a) Liability Claims Task Force**
- b) Property Program Loss Control - Ad Hoc Committee**
- c) Property Claims Committee**
- d) Cyber Working Group**
- e) Cost Allocation Working Group**
- f) SPA Primary Liability Layer Ad Hoc Committee**

Item G.2.

STRATEGIC PLANNING OBJECTIVES

INFORMATION ITEM

ISSUE: The SPA Board of Directors held its annual Strategic Planning Meeting on August 19-20, 2025. During the meeting a number of strategic objectives were discussed. The Program Administrator has prepared the attached matrix summarizing the direction given by the Board into eight objectives to be addressed during the current program year.

RECOMMENDATION: None.

FISCAL IMPACT: None.

BACKGROUND: Each year the SPA Board of Directors holds a two-day meeting to allow time beyond normal Board business to develop a longer-term vision for strategic objectives. As items are identified, they are organized on the attached matrix to identify major milestones towards addressing the item and assignment of the activities to the parties responsible for development and execution of the item. The Strategic Planning Objectives matrix is included in each SPA Board of Directors regular meeting agenda so that a general progress update can be provided. At the following year's Strategic Planning Meeting, the Board reviews completion and determines if any items need to be carried over or modified in the following year's strategic planning objectives.

PUBLICATION: The FY 2025/26 SPA Strategic Planning Objectives will be included in each SPA Board of Directors regular meeting agenda with a status update.

ATTACHMENTS: FY 2025/26 SPA Strategic Planning Objectives

FY 2025/26 SPA STRATEGIC PLANNING OBJECTIVES as of 10/29/2025						
GOAL	ACTION / TASK		STAFF	Assigned	DEADLINE	STATUS
LRP-1	Develop SPA Liability Program Claims Reporting and SPA Level Loss Tracking					
	a	Staff to draft Claims Notice for Board consideration & adoption	NF/MM	JW/ON	Nov	
	b	Liability Claims Committee to begin meetings (including tracking claims) and report out to Board	MM	ON	Jan	Ongoing BOD Reports
LRP-2	Program Administrator to Establish Plan for CAJPA Accreditation Status					
	a	Determine current CAJPA Accreditation requirements	PA	MB/MM	Nov	In Progress
	b	Provide review of SPA existing documents and operations as compared to the CAJPA Accreditation requirements	PA	MB/MM	Jan	On Monthly Agendas
	c	Present results to Board for further direction or development of items needed	PA	MB/MM	Mar	
LRP-3	Establish a Cyber Working Group to address impact of AI on SPA including:					
	a	MOLC Review for AI Issues	NF/MM	JW/ON	Jan	Item on Dec Agenda
	b	Evaluate MGA/MGU/RPG Agency Management and Underwriting software packages to see if applicable to SPA and/or members	PA/MM	MB/PB	Feb	Update from 2/3/26 meeting
	c	Evaluate how agentic AI can impact SPA and members	PA/MM	DM/PB	Feb	Working with Archipeligo
	d	Evaluate software tools for contract review and certificate/endorsement management	PA/MM	DH/PB	May	
	e	Evaluate SPA Cyber Program combining existing SIA (Axa), BASIC (PRISM), CCSA (APIP) and SIG (Tokyo Marine Programs)	PA/MM/NF	DH/ON/JW	Jan	
LRP-4	Evaluate Retaining more risk in SPA Property Program					
	a	Create loss report pivot tables that support attachment/retention analysis	PA/PCA	DM/JA	Nov	JA delivering loss data
	b	Report to SPA Board on initial findings	PA/PCA	DM/JA	Dec	<i>For March</i>
	c	Actuarial report on retention finding	PA/BA	DM/MH	Mar	
	d	Renewal broking direction from SPA Board	PA	DM	Mar	
	e	SPA Board review of renewal options and binding instructions	PA	DM	Jun	
	f	Implementation of retention and monitoring	PA/PCA	DM/JA	Jul	
LRP-5	Property Claims Committee to work on developing a panel of providers with service and fees agreed pre loss					
	a	Develop best practices and pricing, likely focusing on specific types of vendor providers and working through each type	PA/PCA	MB/JA	Dec	Completed
	b	Gather member comments on items needed to perform vetting process	PA/PCA	MB/JA	Jan	Completed
	c	Select providers and establish appropriate pre-loss agreements/service standards	PCC	PCC	Mar	Completed/ in process
	d	Train members on utilization process	PA/PCA	MB/JA	May	
	e	Monitor results and performance and report out annually	PA/PCA	MB/JA	Aug	

GOAL	ACTION / TASK		STAFF	Assigned	DEADLINE	STATUS
LRP-6	Liability Program MOLC Evaluation of impacts and planning for potential move to claims-made coverage					
	a	Develop white paper on legal and operational affects of changing from occurrence to claims-made coverage	NF/MM/GC	JW/ON/BC	Feb	meet with U?W for claims
	b	Initial discussion at SPA BOD	NF/MM/GC	JW/ON/BC	Mar	
	c	Further development of documents, MOLC, member communications	NF/MM/GC	JW/ON/BC	Jul	
	d	Discussion at SPA BOD Strategic Planning Session	NF/MM/GC	JW/ON/BC	Aug	
	e	Implementation of change in MOLC, if any, no sooner than	NF/MM/GC	JW/ON/BC	Jun-27	
LRP-7	Liability Program Evaluation of Primary Excess Liability Program and how BASIC and CCSA participate					
	a	Discuss conceptual approach to developing a SPA PELP, provide direction	NF/MM	JW/ON	Nov	Verbal Discussion at 11/10/25 Meeting
	b	Development of conceptual approach and transition plan	NF/MM	JW/ON	Feb	Verbal Update
	c	Approve transition to new SPA PELP (note this may be a July 1, 2027 goal)	NF/MM	JW/ON	Mar	
	d	Coverage for PELP commences	NF/MM	JW/ON	Jul	
LRP-8	SPA HR Hotline Solution					
	a	This item needs further development by SPA Board	TBD	TBD	TBD	

BOD: SPA Board of Directors
PA: SPA Program Administrator
MM: Managing Member
CFO: SPA Accounting and Finance

AIS: Alliant Ins. Svcs.(Property Program)
NF: Newfront Insurance (Liability Program)
GC: SPA General Counsel
PCA: SPA Property Claims Administrator at SIA



Item G.3.

**CCSA REQUEST TO CONSIDER NEW MEMBER
FRESNO UNIFIED SCHOOL DISTRICT**

ACTION ITEM

ISSUE: At the last meeting CCSA asked to SPA Board to review the process and ability to add Fresno Unified School District to the SPA Property and Liability Programs. FUSD's coverage renews April 1, 2026, and the Board felt that there was no way to underwrite the liability coverage and consider program impacts of adding such a large member in less than 90 days. CCSA was asked to gather a full underwriting submission for a potential start date in the future, but definitely not April 1, 2026. The request to add the property program is not as complex and a full submission has been provided. CCSA and the Property Program Administrator will provide an update at today's meeting.

RECOMMENDATION: It is recommended that the SPA Board review additional information and take action or provide direction at today's meeting.

FISCAL IMPACT: No fiscal impact is expected from any action taken at today's meeting. If SPA does agree to provide coverage to FUSD through CCSA, there will be deposits, reinsurance premiums and administrative charges calculated in accordance with SPA's rating plans and approved by the Board at a future meeting.

BACKGROUND: CCSA's membership includes CRMA and its member school districts located in the central San Joaquin Valley. FUSD has been on a stand-alone program for many years but is interested in a CCSA/SPA coverage program that would likely provide cost and coverage improvements from its current program. Additional information on the FUSD program and exposures will be provided as a part of the SPA underwriting process.

ATTACHMENTS: SPA P&P No. 2-Property – Property Program Underwriting Procedures



Policy & Procedure No. P&P 2-Property

ADOPTED: January 11, 2021

AMMENDED: January 8, 2024

AMMENDED EFFECTIVE: January 8, 2024

SUBJECT: Property Program Underwriting Procedures

Should there be any discrepancy between this documents and the JOINT POWERS AGREEMENT or the Property Program Memorandum of Coverage, the JOINT POWERS AGREEMENT and Property Program Memorandum of Coverage will govern.

PURPOSE:

The Schools Program Alliance (SPA) has developed a **Property Program** for its **Members**. SPA has established rating plans and operating practices for its **Property Program**. This Policy and Procedure describes Underwriting Procedures intended to maintain **Member** confidence in the funding and viability of SPA's **Property Program** as well as guidelines for adding locations, members to existing **Members** and prospective new **Members** to the **Property Program**.

POLICY:

It is the policy of the SPA **Board** that the **Property Program** Underwriting Procedures balance and achieve the following underwriting goals:

- Rate Stability over time so that **Members** can plan for SPA **Property Program** costs;
- Loss Accountability so that **Members** are incentivized to prevent and reduce losses;
- Relationship of loss exposure so that rates reflect each **Member's** relative exposure to loss; and
- Growth in membership managed so that addition of new locations or members to existing **Members** and addition of prospective new **Members** supports the overall goals of SPA and mitigates potential negative impacts to SPA **Members**.

PROCEDURE:

The following underwriting procedures shall be followed in establishing the **Property Program** funding and rates.

1. Underwriting guidelines /funding requirements/rating plan

Rates are established by the **Board** based upon multiple factors including, but not limited to, the following:

- The **Program Administrator** shall gather and analyze information on **Member** exposures including but not limited to the schedule of values, loss history, loss control reports, and exposure modeling.
 - The **Program Administrator** shall project funding requirements for retained layers and reinsurance costs. An actuary may be engaged to assist as needed.
 - The **Program Administrator** shall present to the **Board** for each year's renewal a rating plan cost allocation and a review of the methodology for calculating member contributions and reinsurance premiums.
2. New locations, new members of existing Members and prospective new **Members** (This section does **not** apply to new construction projects applicable to Course of Construction/Builders Risk exposures– see Section 3 for handling of those risks)

Existing Members may add additional locations or members to their membership and receive coverage under the SPA Property Program as provided in the automatic acquisition and reporting requirements of the Property Program Memorandum of Coverage. If the additional locations or members exceed the automatic acquisition coverage or trigger reporting requirements of the Memorandum of Coverage, then the Member shall in advance of receiving coverage under the SPA Property Program provide underwriting information and any report or findings of the Member's own underwriting review. The Program Administrator shall then prepare a report for the Board summarizing the new locations or members and the impact on the Property Program considering the policy and procedures of this Policy and Procedure No. 1- Property. The Board may then take action to approve or deny coverage under the Property Program and may direct the Program Administrator to secure approval of the Property Program's insurance and reinsurance underwriters. The Program Administrator will advise the Member and the Board the effective date of coverage if it is approved.

A prospective new Member of SPA eligible under the joint powers agreement shall engage with the **Program Administrator** in an evaluation of potential participation in the **Property Program**. The **Program Administrator** shall conduct an initial underwriting review considering the policy and procedures of this Policy and Procedure P&P No. 1- Property and may confer with insurance and reinsurance underwriters for additional evaluation. The **Program Administrator** shall prepare a report to the **Board** summarizing the prospective new Member's application. **Board** considerations may include but are not limited to additional considerations such as:

- Prospective member's risk profile relative to existing **Members'** risk profiles
- Impact of the prospective new Member on availability of coverage and aggregate limits; and,
- SPA's ability to serve effectively the prospective member.

New Members, new locations and new members of existing Members shall be scheduled to have a property insurance appraisal within 5 years of the most recent appraisal or as soon as practicable after joining if the most recent appraisal has not been within 5 years.

This section does not apply to new construction projects that apply to Course of Construction/Builders Risk exposure – see Section 3 for information related to those risks

3. Construction projects related to Course of Construction/Builders Risk exposure

It is understood that while the SPA Property MOC allows for automatic inclusion of “Course of Construction” (COC) risks up to a stated sublimit of value, the SPA Board has implemented this targeted underwriting policy for these risks. It is recommended that SPA members place COC coverage through the contractor performing the work. If a member prefers not to have the contractor purchase COC coverage, SPA Members may submit construction projects valued at \$5,000,000 or less on a per building basis for automatic inclusion into the SPA Property Program. However, COC risks for construction projects valued over \$5,000,000 must be placed outside of the SPA Property Program. The SPA MOC and reinsurance agreements have limitations based on COC at a site, so a Member with multiple buildings at a site or as part of a package of construction should consult with the Program Administrator to see whether SPA’s Property Program can accommodate such a project.

The rate charged for projects covered in the SPA Property program will be based on the SPA Member’s allocated rate set at inception of the current/in-force MOC.

SPA cannot guarantee that COC coverage will be available in succeeding program years, therefore it is recommended that all COC exposure be placed on a separate policy outside of the SPA Property Program.

4. Placement options for buildings \$5,000,000 or greater (i.e., those excluded from SPA coverage, per section 3 above):

There are two options SPA Members can pursue when obtaining coverage for projects/buildings that do NOT qualify for SPA coverage:

- A. Contractor: Request and obtain coverage from the Contractor conducting the project. In this case, the Contract will advise on steps and data needs. Or
- B. Program Administrator/Alliant: Alliant can obtain an open-market option for COC coverage, subject to prevailing market conditions. Alliant will need 90 days and a completed “New Location Questionnaire” in order to conduct an marketing effort. These requests should be submitted to Michelle Minnick or, if not available, another member of the Alliant SPA team.

5. Periodic review

This Policy and Procedure shall be reviewed by the **Board** and amended as needed.

DEFINITIONS:

“**Board**” means the Board of Directors of the SPA Joint Powers Authority.



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. OC36861

2180 Harvard Street, Suite 460, Sacramento, CA 95815

“Member” means the signatories to the SPA Joint Powers Authority.

“Program Administrator” means the person or organization designated by the Board to administer the SPA Property Program.

“Property Program” means the program established by the Board to provide a combination of self-insured, insured and reinsured coverages and services designated by the Board as elements of the SPA Joint Powers Authority property program offering.



Item G.4.

ACIP QUOTE

ACTION ITEM

ISSUE: The Board is asked to review and consider binding coverage with the ACIP Crime Policy for the JPA itself.

The attached proposal provides more details regarding the coverages provided, with a \$5,000,000 limit and \$25,000 deductible for Employee Theft, Forgery or Alteration, Robbery, and Computer Fraud, among others. The policy also includes sublimits for impersonation fraud, loss or damage to client property, and expenses incurred in establishing a loss.

RECOMMENDATION: Approve purchase of Crime Policy with a limit of \$1 million dollars for the SPA JPA.

FISCAL IMPACT: Annual Premium of \$5,500

BACKGROUND: The Crime Policy is intended to meet the obligations of the Government Code and CAJPA standards for bonding of certain officials.

ATTACHMENTS: ACIP 2025-2026 Proposal

The background of the top half of the page is a photograph of a modern glass building facade. The glass reflects the sky and surrounding structures. A person is visible walking on a balcony or walkway on the right side of the building. The overall color scheme is dominated by blues and whites.

Schools Program Alliance (SPA)

2025 – 2026

ALLIANT CRIME INSURANCE PROGRAM (ACIP) Government Crime Insurance Proposal

Presented by:

Tom E. Corbett, Senior Vice President
Mariana C. Salyer, CISR, Account Executive

Alliant Insurance Services, Inc.
18100 Von Karman Avenue, 10th Floor
Irvine, CA 92612
O 949 756 0271
F 619 699 0906

CA License No. 0C36861

www.alliant.com

2025-2026 Alliant Crime Insurance Program Government Crime Insurance Proposal Schools Program Alliance (SPA)

Named Insured / Additional Named Insureds

First Named Insured(s)

Schools Program Alliance (SPA)

Additional Named Insured(s)

None

NAMED INSURED DISCLOSURE

- The first named insured is granted certain rights and responsibilities that do not apply to other policy named insureds and is designated to act on behalf of all insureds for making policy changes, receiving correspondence, distributing claim proceeds, and making premium payments.
- **Are ALL entities listed as named insureds?** Coverage is **not** automatically afforded to all entities unless specifically named. Confirm with your producer and service team that all entities to be protected are on the correct policy. Not all entities may be listed on all policies based on coverage line.
- Additional named insured is (1) A person or organization, other than the first named insured, identified as an insured in the policy declarations or an addendum to the policy declarations. (2) A person or organization added to a policy after the policy is written with the status of named insured. This entity would have the same rights and responsibilities as an entity named as an insured in the policy declarations (other than those rights and responsibilities reserved to the first named insured).
- Applies to Professional Liability, Pollution Liability, Directors & Officers Liability, Employment Practices Liability, Fiduciary Liability policies (this list not all inclusive). Check your Policy language for applicability. These policies provide protection to the Named Insured for claims made against it alleging a covered wrongful act. Coverage is not afforded to any other entities (unless specifically added by endorsement or if qualified as a "Subsidiary" pursuant to the policy wording) affiliated by common individual insured ownership or to which indemnification is otherwise contractually owed. If coverage is desired for affiliated entities or for contractual indemnities owed, please contact your Alliant Service Team with a full list of entities for which coverage is requested. With each request, include complete financials and ownership information for submission to the carrier. It should be noted, that the underwriter's acceptance of any proposed amendments to the policy, including expansion of the scope of "Insureds" under the policy could result in a potential diminution of the applicable limits of liability and/or an additional premium charge.

**2025-2026 Alliant Crime Insurance Program
Government Crime Insurance Proposal
Schools Program Alliance (SPA)**

Line of Coverage
Government Crime Coverage

INSURANCE COMPANY:	National Union Fire Insurance Company of Pittsburgh, PA (AIG)
A.M. BEST RATING:	A (Excellent); Financial Size Category: XV (\$2 Billion or greater) Verified on May 15, 2025
STANDARD & POOR'S RATING:	AA-, Very Strong Financial Security Verified on May 15, 2025
STATE STATUS:	Admitted
PROGRAM POLICY/COVERAGE TERM:	TBD – July 1, 2026
RETROACTIVE DATE:	TBD
COVERAGE:	Government Crime Policy on Discovery form including the following coverages: <ul style="list-style-type: none">• Employee Theft – Per Loss Coverage - including Faithful Performance of Duty• Forgery or Alteration - including Credit, Debit, or Charge Card Forgery• Inside the Premises – Theft of Money and Securities• Inside the Premises – Robbery & Safe Burglary of Other Property• Outside the Premises - Money, Securities and Other Property• Computer Fraud• Funds Transfer Fraud• Money Orders & Counterfeit Money
LIMITS:	\$ 5,000,000
DEDUCTIBLE:	\$ 25,000
ANNUAL PREMIUM:	\$ 5,500

2025-2026 Alliant Crime Insurance Program
Government Crime Insurance Proposal
Schools Program Alliance (SPA)

Line of Coverage

Government Crime Coverage - Continued

MINIMUM EARNED PREMIUM:	None
POLICY AUDITABLE:	No
DESIGNATED AGENTS AS ENDORSED:	<p>None Reported</p> <p>If your entity has a written agreement in place with any person, partnership or corporation to act as your Designated Agent and needs to be included for coverage, please contact Alliant to request approval.</p>
ENDORSEMENTS (including but not limited to):	<ul style="list-style-type: none"> • California Changes • Additional Named Insured – Identifies individual member limit and deductible • Add Faithful Performance of Duty Coverage for Government Employees – Employee Theft Per Loss Limit • Revision of Discovery and Prior Theft or Dishonesty \$25,000 Sub-Limit, Risk Management Department or other department designated to handle insurance matters for the named insured. • Cancellation of Policy Amended –120 Days • Bonded Employees Exclusion Deleted endorsement • Add Credit, Debit or Charge Card Forgery • Include Specified Non-Compensated Officers as Employees - ALL • Include Chairperson and Members of Specified Committees – ALL • Include Designated Persons or Classes of Persons as Employees – Any Directors or Trustees of any of those named as insured; Any board members of any of those named as insured, Any elected or appointed officials, Any former Employee and/or retired Employee retained on a consulting basis only • Include Volunteer Workers as Employees • Include Treasurers or Tax Collectors as Employees • Include Expenses Incurred to Establish Amount of Covered Loss - \$75,000 Sub-limit • Employee Post Termination Coverage – 90 Days • Cancellation Amendatory (Return Pro-Rata) • Include Leased Workers as Employees Endorsement • Notice of Claim Reporting by Email • Economic Sanctions (excludes loss payments in violation of economic or trade sanctions)

**2025-2026 Alliant Crime Insurance Program
Government Crime Insurance Proposal
Schools Program Alliance (SPA)**

ENDORSEMENTS (including but not limited to) Cont.:

- Omnibus Named Insured
- Vendor Theft - \$1,000,000 Limit excess of vendor insurance policy limit (\$500,000 minimum) required by contract Coverage not applicable if crime insurance is not required in a written agreement.
- Conditions Amended – Subrogation of Faithful Performance of Duty Claims
- Third Party Coverage Identified Employee– Loss of or damage to ‘Client Property’– Sublimit \$250,000 with a \$25,000 Deductible.
- Impersonation Fraud Endorsement –Sublimit \$250,000 with \$25,000 Retention
- Blanket Joint Loss Payable- Where legally permissible
- Toll Fraud Coverage- Sublimit \$250,000 with a \$10,000 Deductible

EXCLUSIONS (Including but not limited to):

- Cyberextortion (Resulting Directly)
- Unauthorized disclosure of confidential information
- Governmental Action
- Indirect or Consequential Loss
- Protected Information (Carveback)
- Legal Fees and Expenses
- Nuclear Hazard
- Pollution
- War and Military Action
- Inventory Shortages
- Trading losses
- Accounting or Arithmetical Errors or Omissions
- Exchanges or Purchases
- Fire
- Money Operated Devices
- Motor Vehicles or Equipment and Accessories
- Transfer or Surrender or Property
- Vandalism
- Voluntary Parting of Title to Possession of Property

PROPOSAL VALID UNTIL:

March 1, 2026

**2025-2026 Alliant Crime Insurance Program
Government Crime Insurance Proposal
Schools Program Alliance (SPA)**

CLAIMS REPORTING PROCEDURE:

AIG
Financial Lines Claims
P.O. Box 25947
Shawnee Mission, KS 66225
Fax: 866-227-1750
Email: c-claim@aig.com

Please forward a copy of the loss to the following Alliant Claim Advocates:

Alliant Insurance Services, Inc.
Attn: Robert Frey, Senior Vice President
560 Mission Street, 6th Floor
San Francisco, CA 94105
Phone: 415-403-1400
Fax: 415-403-1466
E-Mail: rfrey@alliant.com

Alliant Insurance Services, Inc.
Attn: Elaine Tizon, Assistant Vice President
560 Mission Street, 6th Floor
San Francisco, CA 94105
Phone: 415-403-1400
Fax: 415-403-1466
E-Mail: Elaine.Tizon@alliant.com

SUBJECTIVITIES:

- Signed and dated Request to Bind Coverage page
- Payment to Alliant is due within 25 days of effective date

BROKER:

ALLIANT INSURANCE SERVICES, INC.
Irvine, CA

Tom E. Corbett, Senior Vice President
Mariana C. Salyer, CISR, Account Executive

See Disclaimer Page for Important Notices and Acknowledgement

2025-2026 Alliant Crime Insurance Program Government Crime Insurance Proposal Schools Program Alliance (SPA)

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. 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. For additional information regarding insurer financial strength ratings visit Standard and Poor's website at 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.

2025-2026 Alliant Crime Insurance Program Government Crime Insurance Proposal Schools Program Alliance (SPA)

NY 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.

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.

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.

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.

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.

2025-2026 Alliant Crime Insurance Program Government Crime Insurance Proposal Schools Program Alliance (SPA)

- 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.

Other Disclosures / Disclaimers - Continued

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.

**2025-2026 Alliant Crime Insurance Program
 Government Crime Insurance Proposal
 Schools Program Alliance (SPA)**

Request to Bind Coverage
Schools Program Alliance (SPA)

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	Bind Coverage for:	Annual Premium
ACIP Government Crime Program Policy Term: TBD	<input type="checkbox"/> \$ 25,000 Deductible \$ 5,000,000 Limit	\$ 5,500

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.

Signature of Authorized Insurance Representative	Date
Title	
Printed / Typed Name	

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.*



Item G.5.

FUNDING POLICY

ACTION ITEM

ISSUE: Attached please find a revised draft of the SPA Funding Policy presented to the Board at the January 12, 2026, Board meeting.

Additional clarification was made to the objectives and one additional priority – accumulation of assets to fund strategic initiatives. Changes were also made to sections 4.0 and 5.0 to make clear the responsibility of the Managing Member for funding and reporting activities.

RECOMMENDATION: Review and approve as presented, revised, or provide direction

FISCAL IMPACT: None expected from this item – benchmarks are in line with current funding.

BACKGROUND: The SPA members have set a goal to achieve CAJPA accreditation. One of the key requirements for CAJPA accreditation is a Funding, or Target Equity, Policy that guides the pool in setting financial benchmarks and goals for annual deposits and funding of outstanding liabilities. An internal pre-accreditation audit revealed a few items needed to meet the standards, with a Funding Policy among the highest priorities.

ATTACHMENTS: *Revised Draft SPA Funding Policy*



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 380, Sacramento, CA 95815

Policy & Procedure No. P&P #TBD

Funding Policy

ADOPTED: TBD

AMMENDED: TBD

EFFECTIVE: TBD

SUBJECT: Funding of SPA Annual Deposits and Outstanding Liabilities

Should there be any discrepancy between this document and the JOINT POWERS AGREEMENT or the subject Program Memorandum of Coverage, the JOINT POWERS AGREEMENT and Program Memorandum of Coverage will govern.

1.0 Policy

It is the policy of the Schools Program Alliance (SPA) to prudently fund its programs to maintain sufficient assets to pay all losses, avoid substantial fluctuations in assets or deposits, and provide risk management services tailored to each member. We will achieve this through the most efficient mix of insurance, self-insurance and risk management resources.

2.0 Scope

This funding policy applies to activities of SPA with regard to funding the financial assets of its Coverage Programs. Terms with special meaning are capitalized and defined in Section 8.0, Definitions.

3.0 Objectives

It is the objective of this policy to provide a system which will accurately monitor and forecast losses and funding levels so that SPA can maintain sufficient assets to meet its obligations in consideration of best practices standards of CAJPA and other industry authorities. Funding of the programs will be based on the needs and characteristics of each program, individually, as approved by the Board. The methodologies may include fully funding annual aggregate stop losses and corridors where applicable, partially funding annual aggregates and/or self-insured layers when sufficient equity exists, funding above Expected Losses and/or funding based on annual actuary study in accordance with sound actuarial methods and management principles, which may include the following priorities:

1. Sufficient assets to pay expected losses
2. Stability of funding to avoid substantial fluctuations in deposits or assets
3. Support of risk management programs to reduce losses
4. Accumulation of assets to fund strategic initiatives

3.1 Sufficient Assets

SPA shall utilize Expected Liabilities when reporting liabilities for purposes of audited financial statements.

SPA shall use an interest rate approved by the Board, which shall consider reasonably expected investment returns when discounting its liabilities or determining annual funding.

SPA may use an actuary's calculation of Expected Losses and reserves for Unallocated Loss Adjustment Expenses (ULAE) based on relevant data including loss history, claim closing patterns and historical claims administration expenses.

SPA shall calculate its Program Year deposits sufficient to fund aggregate exposures or Expected Losses. Deposits should target a minimum funding level of Expected Losses, or fully funding all self-insured/retained risk exposures and aggregates for that year. Program Year deposits may be adjusted based on Board priorities, program financial status and other circumstances.

SPA shall target a minimum Contingency Reserve for each program defined as unrestricted Net Position at least equal to the difference between Expected Liabilities and discounted liabilities at a 70% CL.

SPA may return funds to members only to the extent unrestricted Net Position will remain at least equal to the difference between Expected Liabilities and discounted liabilities at a 90% CL and other funding objectives have been met.

SPA may assess members as needed to fund payment of losses for Program Year(s) in a deficit position.

The Board of Directors must approve Program Year Deposits, assessments, dividends or other return of funds, and may recommend funding utilizing an actuarial degree of confidence other than that noted above when the Board deems appropriate. The Board's decision may be based on evaluation of criteria the Board deems relevant, which may include:

- Favorable or unfavorable program funding issues that need to be addressed
- Insurance market conditions
- Legislative issues expected to impact the liability environment or pool management, and
- Risk exposures that impact the viability of the program

3.2 Stability of Funding

SPA may also designate a Rate Stabilization Fund consisting of unrestricted Net Position greater than the Contingency Reserve. This fund enables SPA to prudently raise or lower a program's SIR &/or total Deposits depending on market conditions and loss experience. It may also be used as a catastrophe reserve and to fund risk management programs.

The following benchmarks are used to identify trends that may impact stability of funding. Exceeding these benchmarks may indicate a need to be more conservative in making funding decisions.

- Annual change in Net Position: $\geq -10\%$
- One-Year Loss Development to Net Position: $\leq 20\%$
- Two-Year Loss Development to Net Position: $\leq 20\%$

3.3 Support Risk Management Programs

SPA may collect funding to support the use of funds to provide risk management and loss control services, programs, incentives, appraisals, administrative costs, and other approved purposes for the members.

4.0 Delegation of Authority

SPA's Managing Member is responsible for ensuring all funding activities are within the guidelines of these policies. The Program Administrator shall develop and maintain administrative procedures for the operation of the program. In consultation with the Board, the broker of record for each program will allocate their resources, analyze and recommend a funding strategy for each Program Year.

5.0 Reporting

The Managing Member, with the assistance of the Program Administrator and broker(s) of record, will submit a yearly report which summarizes Ultimate Net Losses, funding levels, funds available for claims, funding goals, unrestricted Net Position, and performance against benchmarks. to assist the Board in considering funding options for the upcoming Program Year, and how well SPA is achieving its funding goals and benchmarks.

6.0 Funding Program Benchmarks:

For any SPA Coverage Program with retained risk, the Board may adopt benchmarks to inform the annual process of choosing funding options, which may include:

- Yearly Deposits at least equal to Expected Losses, with goal of 80% CL and a maximum goal of 90% CL
- Yearly Deposits at least equal to the total of all self-insured corridors and annual aggregate retentions*
- Maintain Liquid Assets equal to Expected Liabilities at a 70% CL, with a goal of 90%.
- Net Position to SIR ratio at least 5:1, with goal of 10:1, at a minimum \$500,000 SIR.
- Net Position to Expected Liabilities ratio of 1:2, with goal of 1:1.5 or more.
- Net Position to Net Deposit ratio of 1:1, with goal of 2:1 or more.
- Expected Liabilities to Liquid Assets: < 100%
- Expense Ratio: < 25%
- Operating Ratio: < 100%
- Combined Ratio: < 100%

* For coverage programs with an Annual Aggregate Retention, SPA will fund the Expected Losses in full at the beginning of the Program Year, with a goal of maintaining the Program's Net Position at 100% of the total outstanding aggregates for all years combined.

7.0 Policy Adoption

SPA's funding policy shall be approved by the Board of Directors. The policy shall be reviewed regularly and any modification made thereto must be approved by the Board.

8.0 Definitions

Annual Aggregate Retention: the maximum total amount SPA must pay in a given Program Year before excess or reinsurance begins to reimburse covered losses.

Board, Board of Directors: The Board of Directors of the SPA JPA as defined in the SPA Bylaws.

Claim Reserves: estimate of the funds needed to pay for known claims against a member that have been reported to SPA. SPA will establish a reserve for each open claim.

Combined Ratio: the sum of the Operating Ratio and the Expense Ratio, excluding recognition of investment income.

Confidence Level (CL): statistical term used to express the degree to which an actuarial projection (usually Ultimate Net Loss or IBNR) will be an accurate prediction of the dollar losses ultimately paid for a given Program Year or combination of Program Years. The higher a CL the greater surety the actuary has that losses will not exceed the dollar value used to attain that CL.

Deposit: the amount charged either individually or collectively to the pool members to cover the Expected Losses of a given Program Year.

Expected Liabilities: Claim Reserves + IBNR + Loss Adjustment Expenses, discounted, at an actuarially determined Expected Confidence (CL) level for all Program Years. Same as Outstanding Claim Liabilities at the Discounted Expected Level as calculated by an actuary.

Expected Losses: Program Year Annual Aggregate Retention and/or actuarial projection of Ultimate Net Loss for a Program Year, discounted, at an Expected Confidence (CL) level.

Expense Ratio: the percentage of member contributions (net of excess or reinsurance) used for all expenditures, other than losses and excess insurance or reinsurance.

Incurred But Not Reported (IBNR) Claims: estimate of the funds needed to pay for covered losses that have occurred but have not yet been reported to the member and/or SPA. IBNR claims include (a) known loss events that are expected to become claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported.

Liquid Assets: includes cash, deposits, investments, and investment income receivable. Non-liquid assets such as real estate or other receivables are excluded.

Loss Adjustment Expenses: expenses incurred in the course of investigating and settling claims.

- **Allocated loss adjustment expenses (ALAE)** include costs or expected costs directly attributable to a specific claim, such as attorney, expert, or cost containment fees.
- **Unallocated loss adjustment expenses (ULAE)** include costs or expected costs that are not directly attributable to a specific claim but are related to claims settlement, such as salaries, supplies, and other costs of SPA's claims administrator.

Loss Development: the difference between loss estimates at two different points in time.

Net Position: Total assets minus total liabilities, as stated in the audited financials Statement of Net Position. Also referred to as Net Assets, Surplus, or Equity in some contexts.

Operating Ratio: measure of overall "profitability" from underwriting and investment activities. Total expenses as a percentage of total income, including investment income.

Program Year: coverage period coinciding with SPA's fiscal year from July 1 to June 30.



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

2180 Harvard Street, Suite 380, Sacramento, CA 95815

Self-Insured Retention (SIR): the maximum amount of SPA financial exposure to a single loss before excess or re-insurance applies.

Ultimate Net Loss: The sum of claims paid to date, Claim Reserves and IBNR, all within the program's pooled layer or SIR. Estimate of the total value of all claims that will ultimately be made against members for which SPA is responsible.



Item G.6.

FINANCIAL AUDIT – JUNE 30, 2025 AND 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, 2025, was the third year of the SPA Property Program and the fourth 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 (required communications).

The Audit Report is presented for your review and acceptance. The Audit Report is presented in a combine program format. Highlights of the Audit Report include:

- The auditors provide an unqualified, or “clean” opinion, with no findings.
- Member contributions were \$34.5 million; contributions were up \$1.1 million over last year.
- Total operating expenses were \$34.7 million, of which \$31 million was for insurance premiums. Insurance premiums were up \$1 million over last year.
- Claims expenses of \$3 million were recognized, up about \$517,000 from the prior year.
- Interest on investments was \$339 million; up 54,000 over last year.
- Net Position decreased by about \$164,000, yielding an ending Net Position of \$4.63 million.

A representative from Gilber CPAs may be available for the meeting to present the audit report.

ATTACHMENTS: The Audit 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, 2025 AND 2024**

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. SPA was formed to work collectively to stabilize and manage rising risk financing costs for school entities. SPA is committed to pooling, saving and stabilizing risk financing costs 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).

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 \$150 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 \$32.5 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 quality excess insurance coverage at competitive rates.
- 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 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 JPA. Administrative functions are supported through strategic partnerships, with Alliant Insurance Services serving as Program Administrator and Schools Insurance Authority (SIA) serving as the Managing Member of SPA.

FINANCIAL SECTION

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 Schools Program Alliance Joint Powers Authority (SPA) as of and for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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.



GILBERT CPAs
Sacramento, California

March 2, 2026

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, 2025. This is the fifth year of operation for the SPA property program, and the fourth 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 11.

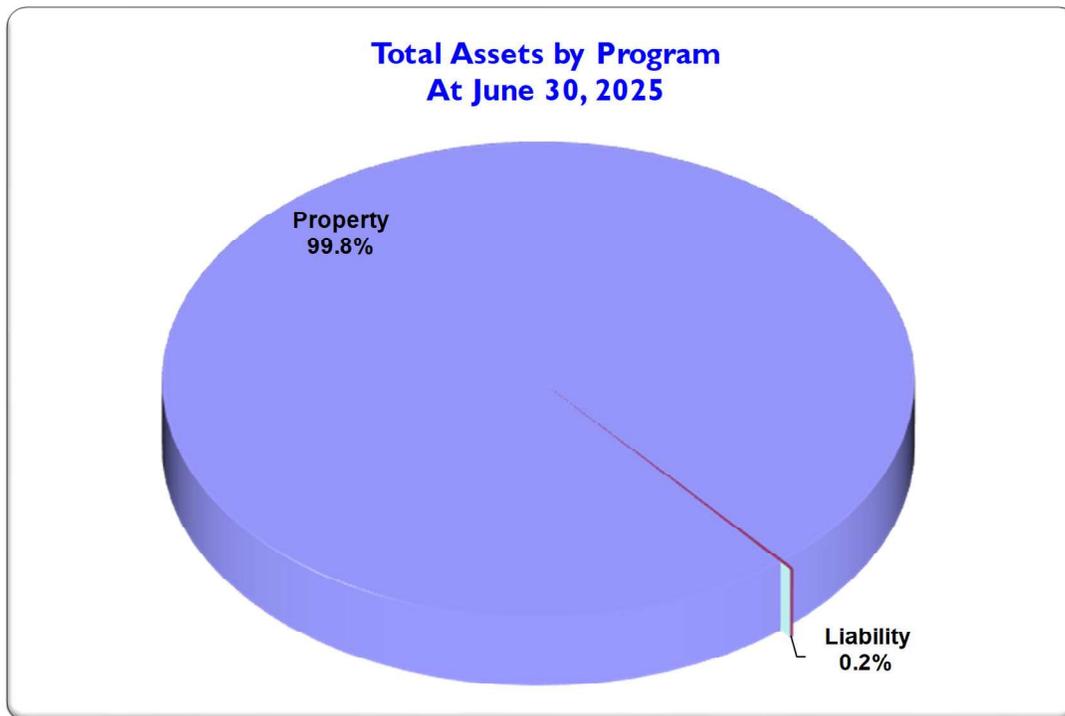
Description of Basic Financial Statements

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, 2024, and June 30, 2025. The Statement of Revenues, Expenses and Change in Net Position reports the operations of the organization for the year ended June 30, 2024, and the year ended June 30, 2025. The Statement of Cash Flows is presented using the direct method to report on the operations of SPA for the period ended June 30, 2024, and the year ended June 30, 2025, 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,	2025	2024	2023
Assets			
Other assets	\$ 10,348,481	\$ 9,513,139	\$ 6,276,926
Total assets	10,348,481	9,513,139	6,276,926
Liabilities			
Other liabilities	5,704,239	5,044,384	2,936,022
Total liabilities	5,704,239	5,044,384	2,936,022
Net Position			
Unrestricted	4,644,242	4,468,755	3,340,904
Net Position	\$ 4,644,242	\$ 4,468,755	\$ 3,340,904



Assets

Total assets at the close of the fiscal year are \$10.3 million. This is an increase of about \$0.8 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

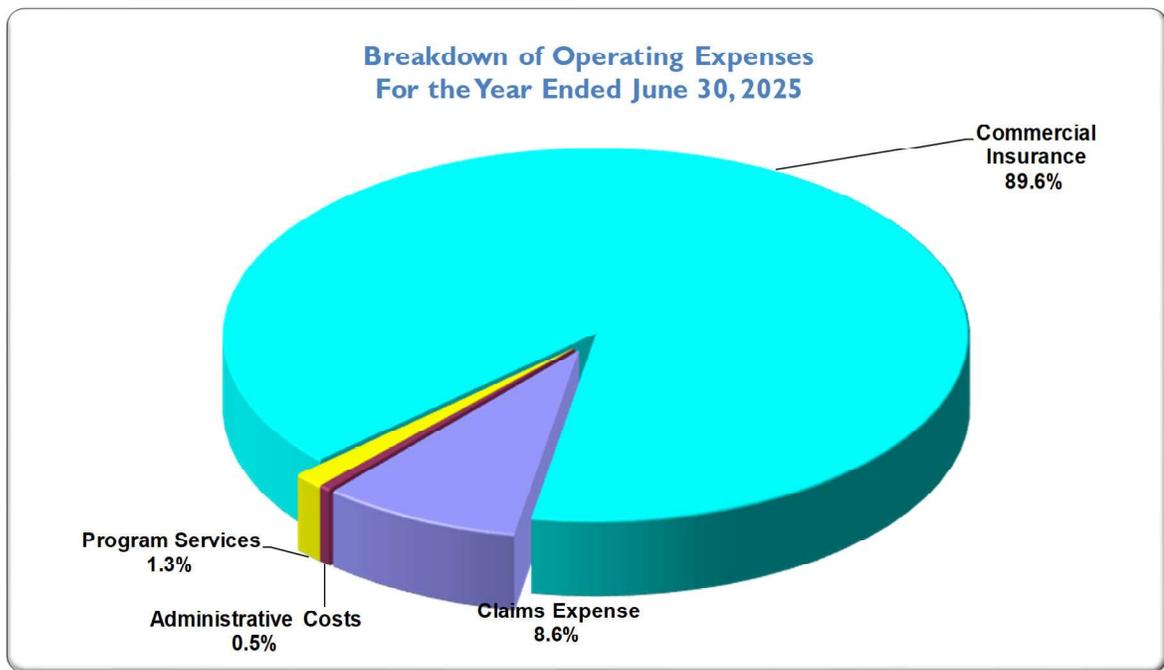
Total liabilities at the close of the fiscal year are about \$5.7 million. This is an increase of \$0.7 million over the prior year. About \$4.7 million of this is related to claims liabilities valued at the end of the fiscal year. This includes outstanding claim reserves of \$3.6 million and \$1.1 million of actuarial estimated liabilities, or IBNR (Incurred But Not Reported). 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 \$4.6 million. This is an increase of about \$0.2 million from the prior year. Liabilities are up by about \$0.7 million over last year, primarily related to changes in claims liabilities. There are no capital assets or restricted amounts.

Statement of Revenues, Expenses and Changes in Net Position

For the Years ended June 30,	2025	2024	2023
Operating revenues			
Member contributions, net	\$ 34,517,740	\$ 33,416,902	\$ 25,825,545
Total operating revenues	34,517,740	33,416,902	25,825,545
Operating expenses			
Provision for claims & claims adjustment expenses	2,999,628	2,483,300	2,776,851
Insurance premiums	31,060,740	29,959,902	22,399,545
Program services	456,425	28,405	160,600
General & administrative expenses	164,563	102,154	87,582
Total operating expenses	34,681,356	32,573,761	25,424,578
Operating income (loss)	(163,616)	843,141	400,967
Non-operating revenue			
Investment income	339,103	284,710	44,884
Total non-operating income	339,103	284,710	44,884
Increase (decrease) in net position	175,487	1,127,851	445,851
Net position, beginning of year	4,468,755	3,340,904	2,895,053
Net position, end of year	\$ 4,644,242	\$ 4,468,755	\$ 3,340,904



Operating Revenues

Total member contributions for the fiscal year are \$34.5 million. This is an increase of \$1.1 million over the prior year. Contributions continue to increase, which is driven by cost increases in the reinsurance markets. Member contributions include contributions for the property program of approximately \$22.8 million, the liability program of approximately \$11.3 million, and \$457,000 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 continues to earn LAIF interest income on invested funds, which is \$339,103 this year, and is up \$54,393 from the prior year.

Operating Expenses

Provision for Claims Expense

Claims expense is a significant area of expenditure for SPA. During this fifth year, SPA claims reserves continue to increase, with claims expenses at \$3.0 million. Considering the period's reporting activity, actuarial liabilities (IBNR) were calculated by the actuary and recognized by the JPA. The IBNR provision 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. JPAs, 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 \$31.1 million. This is an increase of \$1.1 million over the prior year. This is primarily attributable to continued hard market conditions in the liability markets for excess and reinsurance placements. Conversely, the property markets have been experiencing softening market conditions minimizing cost increases. 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 \$456,425. This is an increase of \$428,020 over the prior year's expenditure related to loss control and appraisal activities completed by members during the fiscal year. 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 \$164,563 for the year. This is an increase of approximately \$62,409 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. Operating results for the fiscal year reflect a modest operating loss of approximately \$164,000, primarily attributable to recognized claims activity and increased program service expenditures.

Explanation of Budget to Actual Variances

Budget to Actual Variance Analysis

For the Year ended June 30, 2025	Budget	Actual	Variance
Operating revenues			
Member contributions, net	\$ 34,471,916	\$ 34,517,740	\$ 45,824
Total operating revenues	34,471,916	34,517,740	45,824
Operating expenses			
Provision for claims & claims adjustment expenses	-	2,999,628	2,999,628
Insurance premiums	31,014,916	31,060,740	45,824
Program services	390,000	456,425	66,425
General & administrative expenses	105,000	164,563	59,563
Total operating expenses	31,509,916	34,681,356	3,171,440
Operating income	2,962,000	(163,616)	(3,125,616)
Non-operating revenue			
Investment income	-	339,103	339,103
Total non-operating income	-	339,103	339,103
Increase in net position	2,962,000	175,487	(2,786,512)
Net position, beginning of year	5,935,185	4,468,755	(1,466,430)
Net position, end of year	\$ 8,897,185	\$ 4,644,242	\$ (4,252,943)

Contributions

Contributions were \$34.5 million and ended the year \$45,824 over budget. The Property Program self-insured retained layer budgeted for contributions of \$3 million and \$457,000 of program services contributions for loss control, appraisals, and JPA administrative costs which is the same as last year.

Provision for claims expense

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

Program services

Program services expenses incurred were \$456,425, which was \$66,425 over budget. The variance is attributable to additional loss control and appraisal activities completed above what was originally anticipated in the budget.

General & Administrative expenses

General & Administrative costs were \$164,563, which was \$59,563 over budget. This variance is primarily related to higher-than-anticipated professional service costs, including audit and actuarial services. Professional services costs included SPA contracting for claims coordination services not originally contemplated in the budget.

Forecast

SPA continues to support its member JPAs through a challenging and evolving market for Liability and Property insurance purchases and programs. There are continued signs of stabilization in portions of the property insurance market; however, schools in California, particularly, still face uncertainty related to recent large-scale wildfire losses, as well as wildfire exposure and an associated elevated risk profile. Schools and their supporting JPAs continue to experience great difficulty in negotiating liability premium renewals in the California market while managing affordable coverage costs for their member school districts. Pressure continues from the continued social inflation and high volume of sexual misconduct claims.

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” remain cautious in California, with some reducing capacity, tightening underwriting standards, or limiting aggregate exposure. Many JPAs continue to be challenged with rate increases based on exposure, not experience, and minimum premiums, rather than based on traditional and historical experience related underwriting measures.

Over the last decade, the Property market has experienced several costly global catastrophes, storm events and multiple large wildfires. Generally speaking, fiscal year 2024-2025 was another positive year for property carriers, and is reflected in market stabilization and even some declines in rate renewals. However, carriers continue to manage volatility from prior significant loss events and are pricing renewals with more weight given to loss exposure, rather than just experience. SPA continues to monitor rate movement closely, as renewal pricing remains sensitive to wildfire modeling and geographic concentration of risk. Further, the SPA Board continues working to help member districts manage risk through coordinated property appraisals, wildfire risk assessments, general prevention consulting and other targeted risk management activities.

The large volume in Sexual and Molestation (SAM) claims and in punitive damage awards continue to drive up the cost and amplify the 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 remain elevated while self-insured retentions continue to face upward pressure. Coverage limits in some cases remain constrained as JPAs balance cost containment with risk protection. The insurance markets continue to protect their interests by reducing capacity, offering aggregate limits, tightening terms and conditions, and focusing on financially strong, well-managed JPAs. Each SPA member is proactively consulting with their member school districts to implement enhanced risk mitigation and training activities for their high risk/high loss activities, including sexual misconduct prevention.

Looking ahead to fiscal year 2025-2026, SPA anticipates continued pressure in the liability marketplace. SPA anticipates a more neutral property market and cost reductions at renewals. SPA program members BSSFP, NBSIA, and RESIG (participating as BASIC), CCSA, and SIA will continue to actively market the SPA program to potential new insurance carriers and use the SPA’s consolidated purchasing structure to strengthen negotiating leverage in reinsurance placements.

Our foreseeable forecast is for continued firm market conditions in liability and cautious optimism in property, subject to catastrophic loss activity and legislative developments. Legislative changes continue to be monitored carefully for implications related to workers’ compensation or general liability, and sexual abuse claim exposures. SPA remains strategically positioned to assist member JPAs and their schools in navigating evolving insurance markets and maintaining long-term financial stability.

BASIC FINANCIAL STATEMENTS

SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 9,402,518	\$ 8,506,115
Cash held for others	863,788	891,062
Receivables	<u>82,175</u>	<u>115,962</u>
Total assets	<u>10,348,481</u>	<u>9,513,139</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	167,383	58,155
Advances held for others	863,788	891,062
Unpaid claims and claims adjustment expenses	<u>4,673,068</u>	<u>4,095,167</u>
Total liabilities	<u>5,704,239</u>	<u>5,044,384</u>
NET POSITION	<u>\$ 4,644,242</u>	<u>\$ 4,468,755</u>

The accompanying notes are an integral part of these financial statements.

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SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES:		
Member Contributions	\$ 34,060,740	\$ 32,989,902
Administrative contributions	<u>457,000</u>	<u>427,000</u>
Total operating revenues	<u>34,517,740</u>	<u>33,416,902</u>
OPERATING EXPENSES:		
Insurance premiums	31,060,740	29,959,902
Provision for claims and claim adjustment expenses	2,999,628	2,483,300
Administrative expenses	153,158	96,000
Program services	456,425	28,405
Other expenses	<u>11,405</u>	<u>6,154</u>
Total operating expenses	<u>34,681,356</u>	<u>32,573,761</u>
Operating income (loss)	<u>(163,616)</u>	<u>843,141</u>
NON-OPERATING REVENUES:		
Interest and dividend income	<u>339,103</u>	<u>284,710</u>
Increase in net position	175,487	1,127,851
Net position, beginning	<u>4,468,755</u>	<u>3,340,904</u>
Net position, ending	<u>\$ 4,644,242</u>	<u>\$ 4,468,755</u>

The accompanying notes are an integral part of these financial statements.

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SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from member contributions and other income	\$ 34,551,527	\$ 33,959,346
Cash received on behalf of members	5,655,187	891,062
Cash paid to members	(5,682,461)	-
Cash paid for claims	(2,421,727)	(1,188,709)
Cash paid for insurance and other expenses	<u>(31,572,500)</u>	<u>(30,167,752)</u>
Net cash provided by operating activities	<u>530,026</u>	<u>3,493,947</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received	<u>339,103</u>	<u>284,710</u>
Net cash provided by investing activities	<u>339,103</u>	<u>284,710</u>
Net increase in cash and cash equivalents	869,129	3,778,657
Cash and cash equivalents, beginning of year	<u>9,397,177</u>	<u>5,618,520</u>
Cash and cash equivalents, end of year	<u>\$ 10,266,306</u>	<u>\$ 9,397,177</u>
RECONCILIATION TO STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 9,402,518	\$ 8,506,115
Cash held for others	<u>863,788</u>	<u>891,062</u>
Cash and cash equivalents, end of year	<u>\$ 10,266,306</u>	<u>\$ 9,397,177</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (163,616)	\$ 843,141
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in:		
Receivables	33,787	542,444
Increase (decrease) in:		
Accounts payable	109,228	37,880
Due to others	-	(115,171)
Advances held for others	(27,274)	891,062
Unpaid claims and claims adjustment expenses	<u>577,901</u>	<u>1,294,591</u>
Net cash provided by operating activities	<u>\$ 530,026</u>	<u>\$ 3,493,947</u>

The accompanying notes are an integral part of these financial statements.

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SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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, 2025 and 2024, 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 on 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 reinsurance proceeds from excess insurers on behalf of its members and disburses such amounts to members in accordance with applicable coverage provisions. Any amounts held at year-end are reported as advances held for others within liabilities on the Statements of Net Position.

SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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

Member 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 member contributions. 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, 2025 AND 2024

2. CASH AND CASH EQUIVALENTS

The Authority's cash is held on deposit with SIA, the managing member. Cash and cash equivalents in banks are stated at cost by SIA. The Authority's cash and cash equivalents as of June 30, 2025 and 2024 consisted of the following:

	<u>Rating</u>	<u>2025</u>	<u>2024</u>
Cash and cash equivalents:			
Cash held by Schools Insurance Authority	Not rated	\$ 10,266,306	\$ 9,397,177

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, 2025 and 2024. 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>2025</u>	<u>2024</u>
Unpaid claims and claim adjustment expenses, beginning of fiscal year	<u>\$ 4,095,167</u>	<u>\$ 2,800,576</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of the current year	3,000,000	2,211,691
Change in provision for covered events of prior years	<u>(372)</u>	<u>271,609</u>
Total incurred claims and claim adjustment expenses	<u>2,999,628</u>	<u>2,483,300</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	611,245	-
Claims and claim adjustment expenses attributable to covered events of prior years	<u>1,810,482</u>	<u>1,188,709</u>
Total payments	<u>2,421,727</u>	<u>1,188,709</u>
Total unpaid claims and claim adjustment expenses, end of fiscal year	<u>\$ 4,673,068</u>	<u>\$ 4,095,167</u>

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

	<u>2025</u>	<u>2024</u>
Reported claims	\$ 3,623,068	\$ 3,409,403
Claims incurred but not reported (IBNR)	1,050,000	685,764
Unallocated loss adjustment expenses (ULAE)	<u>-</u>	<u>-</u>
Total unpaid claims and claim adjustment expenses	<u>\$ 4,673,068</u>	<u>\$ 4,095,167</u>

Claims liabilities have been estimated at the amount of claims paid in the current year and consideration of any known future claims payments. The Authority has not recorded a liability for ULAE as management has determined that such amounts are not material to the financial statements.

SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

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, 2025 and 2024, SIA paid total contributions of \$13,245,210 and \$12,322,582 to SPA, respectively. For both years ended June 30, 2025 and 2024, SPA paid a total of \$75,000 to SIA for administrative services. In addition, the cash held by SIA on behalf of SPA totaled \$10,266,306 and \$9,397,177 as of June 30, 2025 and 2024, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

CLAIMS DEVELOPMENT INFORMATION PROPERTY PROGRAM JUNE 30, 2025

For the policy year ended June 30	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1. Contributions and investment revenue:					
Earned	\$ 14,253,213	\$ 14,892,428	\$ 18,548,952	\$ 22,822,926	\$ 22,801,025
Ceded	<u>(11,253,213)</u>	<u>(13,341,323)</u>	<u>(15,548,952)</u>	<u>(19,792,926)</u>	<u>(19,801,025)</u>
Net earned	<u>\$ 3,000,000</u>	<u>\$ 1,551,105</u>	<u>\$ 3,000,000</u>	<u>\$ 3,030,000</u>	<u>\$ 3,000,000</u>
2. Unallocated expenses	\$ 32,019	\$ 200,308	\$ 248,182	\$ 130,559	\$ 620,988
3. Estimated incurred claims and expenses, end of policy year:					
Incurred	\$ 10,000,000	\$ 2,273,725	\$ 2,450,000	\$ 2,211,691	\$ 3,000,000
Ceded	<u>(10,000,000)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net incurred	\$ -	\$ 2,273,725	\$ 2,450,000	\$ 2,211,691	\$ 3,000,000
4. Paid (cumulative) as of:					
End of policy year	\$ -	\$ 2,250,000	\$ -	\$ -	\$ 611,245
One year later	-	2,250,000	938,709	600,000	
Two years later	-	2,500,000	2,149,191		
Three years later	-	2,500,000			
Four years later	-				
5. Reestimated ceded losses and expenses	\$ 1,956,676	\$ 8,580,380	\$ 6,629,739	\$ 6,384,807	\$ 2,983,710
6. Reestimated incurred claims and expense:					
End of policy year	\$ -	\$ 2,273,725	\$ 2,450,000	\$ 2,211,691	\$ 3,000,000
One year later	-	2,564,276	2,789,133	2,538,000	
Two years later	36,300	2,533,052	2,494,000		
Three years later	-	2,501,000			
Four years later	-				
7. Increase (Decrease) in estimated incurred claims and expense from end of policy year	\$ -	\$ 227,275	\$ 44,000	\$ 326,309	\$ -

SCHOOLS PROGRAM ALLIANCE JOINT POWERS AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2024

1. CLAIMS DEVELOPMENT INFORMATION

The table on page 18 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

We have audited the financial statements of Schools Program Alliance (SPA) for the year ended June 30, 2025. We are providing SPA's Board of Directors with information regarding the scope and results of the audit to assist the Board of Directors in overseeing management's financial reporting and disclosure process. This information is intended solely for the use of the Board of Directors 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.

March 2, 2026

Submitted by  **GILBERT**
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RESPONSIBILITIES AND OPINION

<p>Auditors' Responsibilities under Generally Accepted Auditing Standards (GAAS)</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 year ended June 30, 2025.</p>
<p>Required Supplementary Information</p> <p>Government Accounting Standards Board (GASB) requires certain supplementary information to accompany 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 SPA's basic financial statements and is subjected to limited procedures, but no opinion has been expressed:</p> <ul style="list-style-type: none"> • Management's Discussion and Analysis • Claims Development Information

INTERACTIONS WITH MANAGEMENT

<p>Management Consultations with Other Independent Accountants</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>Disagreements with Management</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>Management Representations</p>	<p>We have requested certain representations from management that are included in their letter to us.</p>
<p>Difficulties Encountered in Performing the Audit</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

<p>Significant Accounting Policies</p> <p>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>	<p>The significant accounting policies used by SPA are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2025.</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>
<p>Management Judgments and Accounting Estimates</p> <p>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.</p>	<p>We considered the methodologies and judgments used in management's estimate of claims liabilities, which is based on actuarial projections and management's estimate of the collectability of receivables, which is based on management's assessment of the likelihood of receivable payments on individual accounts.</p> <p>We evaluated the key factors and assumptions used to develop these 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>

RESULTS OF THE AUDIT

<p>Planned Scope and Timing of the Audit</p>	<p>Audit procedures were performed from September 2025 through February 2026.</p>
<p>Risk Assessment Process</p> <p>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>	<p>Auditing standards require us to consider the following risk of material misstatement when planning our audit:</p> <ul style="list-style-type: none"> • Management override of controls. <p>As part of our audit planning process, we identified the following additional significant risk of material misstatement which was addressed by our audit procedures:</p> <ul style="list-style-type: none"> • Valuation of claims liabilities.
<p>Other Audit Findings or Issues</p>	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as 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.</p>
<p>Significant Adjustments or Disclosures Not Reflected in the Financial Statements</p> <p>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.</p>	<p>No significant adjustments or omitted disclosures were identified during our audit.</p>



Schools Program Alliance

c/o Alliant Insurance Services

Corporation Insurance License No. 0C36861

**Board of Directors
Teleconference Meeting
March 9, 2026**

Item H.1.

PROPERTY PROGRAM UPDATE

INFORMATION ITEM

Thursday
12
March 2026
12:00 PM CT

JOIN US FOR A FEATURED ZYWAVE WEBINAR

**Turn Your Website into Your #1 Producer:
A Digital Sales Strategy for Insurance Agencies**

ZYWAVE

Zywave Cyber Front Page News - Tuesday, February 24, 2026

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Don't trust AI to come up with a strong new password for you - LLMs are pretty poor at creating new logins, experts warn

Publication Date: **02/23/2026**
Source: **TechRadar Pro**

Large language models (LLMs) can produce passwords look complex, yet recent testing suggests those strings are far from random.

A study by Irregular examined password outputs from AI systems such as Claude, ChatGPT, and Gemini, asking each to generate 16-character passwords with symbols, numbers, and mixed-case letters.

At first glance, the results appeared strong and passed common online strength tests, with some checkers estimating that cracking them would take centuries, but a closer look at these passwords told a different story.

LLM passwords show repetition and guessable statistical patterns

When researchers analyzed 50 passwords generated in separate sessions, many were duplicates, and several followed nearly identical structural patterns.

Most began and ended with similar character types, and none contained repeating characters.

This absence of repetition may seem reassuring, yet it actually signals that the output follows learned conventions rather than true randomness.

Using entropy calculations based on character statistics and model log probabilities, researchers estimated that these AI-generated passwords carried roughly 20 to 27 bits of entropy.

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A genuinely random 16-character password would typically measure between 98 and 120 bits by the same methods.

The gap is substantial — and in practical terms, it could mean that such passwords are vulnerable to brute-force attacks within hours, even on outdated hardware.

Online password strength meters evaluate surface complexity, not the hidden statistical patterns behind a string - and because they do not account for how AI tools generate text, they may classify predictable outputs as secure.

Attackers who understand those patterns could refine their guessing strategies, narrowing the search space dramatically.

The study also found that similar sequences appear in public code repositories and documentation, suggesting that AI-generated passwords may already be circulating widely.

If developers rely on these outputs during testing or deployment, the risk compounds over time - in fact, even the AI systems that generate these passwords do not fully trust them and may issue warnings when pressed.

Gemini 3 Pro, for example, returned password suggestions alongside a caution that chat-generated credentials should not be used for sensitive accounts.

It recommended passphrases instead and advised users to rely on a dedicated password manager.

A password generator built into such tools relies on cryptographic randomness rather than language prediction.

In simple terms, LLMs are trained to produce plausible and repeatable text, not unpredictable sequences, therefore, the broader concern is structural.

The design principles behind LLM-generated passwords conflict with the requirements of secure authentication, thus, it offers protection with a lacuna.

“People and coding agents should not rely on LLMs to generate passwords,” said Irregular.

“Passwords generated through direct LLM output are fundamentally weak, and this is unfixable by prompting or temperature adjustments: LLMs are optimized to produce predictable, plausible outputs, which is incompatible with secure password generation.”