



September 24, 2020

David George
Schools Excess Liability Fund
1531 I Street, Suite 300
Sacramento, CA 95814

RE: MOC Changes

Tri-County Schools Insurance Group (TCSIG) would like to thank you for appearing at the 2020/2021 planning meeting. I am hoping to follow up with you regarding the concern that was brought up regarding a potential change of the MOC for SELF.

To restate the issue, it is our understanding that SELF has set forth an Ad hoc committee which has been pursuing the subject of moving SELF on SAM claims from an occurrence-based policy to a claims-made policy. Another subpart of that issue is our concern that once the Ad hoc committee's work is brought to the board and reviewed, there will be a 30-day waiting period and then the board will take action on the proposals presented by the Ad hoc committee.

As stated in our Board Meeting, the Ad Hoc Committee could propose a significant change in the MOC that has been in place since SELF's inception. An additional concern is that there will not be adequate time to vet whatever the Ad hoc committee proposes within a 30-day period.

We will address the change in the MOC first, and hopefully state clearly our concerns to you and then attempt to spell out why we think much more time is needed to adequately vet this issue with the membership.

Occurrence-based coverage provides closure regarding claims exposure each year for all members of SELF. Speaking for TCSIG it is very important to know that at the close of every year we have protection for any claims that arose during that calendar year paid for and sitting there waiting.

If the Ad hoc committee proposes to change from occurrence-based to claims-made coverage to be provided by SELF to all its members it shifts a huge burden from SELF back on its members. Our understanding of the claims-made policy is that it only protects TCSIG from a claim that is submitted during that calendar year. (In essence the first year it really isn't providing any coverage at all because we're moving from the occurrence to claims made and we would be covered that first year and maybe beyond by the occurrence policy for any prior claims).

Moving forward that claims-made policy as long as it's not interrupted would cover us into the future because it acts like a leapfrog going from lily pad to lily pad, as long as you have pads you're covered. The problem begins when hypothetically you wish to discontinue your business you would still have to purchase claims-made policies well into the future even after you are out of business.

Another exposure is created if we decide we want to leave SELF and go to some other organization. We don't believe the new insurance company would provide prior acts coverage for free, which means we would have to purchase an additional tail coverage to protect us from claims brought after we terminate the SELF policy even though we've purchased another policy for that same timeframe, because there's a gap.

Another potential problem could be that SELF may have members of its excess tower that are providing claims-made coverage and a particular tier of coverage may discontinue requiring SELF to pick up a new carrier and again the issue of prior acts coverage becomes a significant problem.

The biggest concern is that it puts the responsibility back on the individual member to ensure every year that there is no gap in coverage created by the claims-made relationship.

There are additional concerns here that may arise as the insurance market hardens into the nuances of the types of insurance coverage. This issue will be reserved for further discussion later in the vetting process.

We believe there are significant issues that need to be vetted deeply before a decision on a change of this nature with our MOC is ever brought to the board for action. We note that there has been an Ad hoc committee formed and has been involved for at least two months researching this issue and you advised us during the board meeting that they won't be done with their work until probably February 2021 at which time they intend to bring it to the board as an information item with proposals.

Logic would dictate that every member would have to take whatever proposals are brought by the Ad hoc committee to their respective JPAs for further vetting. TCSIG intends to meet with each of our members and discuss in great detail the impacts of a proposal to change the MOC to a claims-made policy for SAMS if that is the action proposed.

It appears that the Ad hoc committee is anticipating at least six months to formulate their recommendations. It would appear, that depending on the recommendation each member would need at least 3 to 4 months to adequately vet the issue with their members and bring back further comments to the board for the Ad hoc committee to further vet and explain. The second round of discussion would probably take an additional 2 to 3 months to resolve all the potential questions raised by the membership before the board could make any type of informed decision on the subject matter.

When Matt Evans requested additional time between the Ad hoc committee recommending action and a board vote you advised that Matt would have to bring such a request to the board to request additional time. Please forward a copy of the board minutes that reflect the board action placing a 30-day time limit on this particular matter. If the board did not take action to set the 30-day time limit please consider extending those times administratively to accommodate the timeline we outlined and set this process up for adequate vetting by both SELF and its members before the SELF board takes any action.

Tri-County Schools Insurance Group is also requesting that SELF provide written assurance that it will not implement a change to the MOC for the 2021-2022 year.

If you have any questions regarding any issues raised in this letter or wish to discuss it further, please contact Marisa to coordinate a date for the call. I would also request that you provide a written response to the issues raised and provide me with guidance as to what further administrative steps we need to take to protect our future interests with SELF.

Thank you for your anticipated cooperation.

Sincerely,



Lynn Whitlock
Chief Financial Officer