



May 5, 2021

To: All TCSIG Property/Casualty Members

Re: Intent to withdraw from SELF

PRIVILEGED/CONFIDENTIAL

The following is an **ALERT**:

THE PROBLEM:

For the last 30+ years, Schools Excess Liability Fund (SELF) has been the reinsurer TCSIG uses to complete its MOC. SELF, on March 31, 2021, by letter informed TCSIG that SELF's casualty program MOC had been changed with the changes to be implemented no later than July 1, 2021. There were several changes made to the SELF MOC; however, there were three material changes that would preclude TCSIG's ability to protect its insureds from gaps in coverage.

1. SELF changed the MOC from "Occurrence Based" to "Claims Made" for all SAM claims. It's our position that this creates a significant risk of gaps in coverage in the future for all of our districts.
2. SELF also fails to offer any specific quote for Extended Reporting Period Endorsements; it fails to indicate if they will offer this type of endorsement; and it also fails to put any type of a price on the endorsement.
3. SELF also takes all control over litigated files away from TCSIG and vests it within SELF.

All three of these changes radically and materially change our relationship with SELF. This creates huge risks of gaps in insurance as well as TCSIG's ability in the future to protect our districts from gaps due to the lack of committing to an Extended Reporting Period Endorsement.

THE HISTORY:

In August 2020, TCSIG suspected SELF was contemplating a change in their MOC. From October 2020 to November 2020 several zoom meetings were held between SELF and TCSIG. SELF continuously denied any changes were intended for the upcoming 2021 year and gave assurances to TCSIG as late as December 30, 2020 that no change to the MOC was contemplated. Based on those representations, TCSIG opted not to withdraw its members from SELF. It was only after December 2020 that SELF began its attempt to modify the MOC. It is our position that they did this intentionally to trap their members and keep them captive to this material change.

THE ALTERNATIVES:

TCSIG's retained counsel concluded SELF's action to change its MOC is ineffective based on SELF's failure to follow its Joint Exercise of Powers Agreement mandates. TCSIG's counsel served a demand letter on

SELF dated April 23, 2021 asserting TCSIG's position that SELF still owes TCSIG reinsurance on an "Occurrence Based" contract of reinsurance for TCSIG's entire MOC including the same claims that are at issue now.

SELF has until May 7, 2021 to confirm coverage on an "Occurrence Based" contract for all of TCSIG's MOC requirements or TCSIG's attorney will seek a restraining order on SELF's previous board action that altered their MOC and also seek declaratory relief. This may or not be accomplished before our renewal date of July 1, 2021.

TCSIG has also contemporaneously sought out new contracts for reinsurance and is actively negotiating with several different carriers at this time. The goal is to attain excess reinsurance for TCSIG's MOC on an "Occurrence Basis" for all insurable exposures to an amount of \$25 million policy limit.

WITHDRAWAL FROM SELF:

TCSIG detrimentally relied on SELF's representation that there would be no modification to the coverages provided by SELF in its determination not to leave SELF and file the 25 resolutions, on or before December 31, 2020, that it had received from all of its members to withdraw from the SELF for the 2021 year as required by their bylaws. Based on SELF's misrepresentations, TCSIG's counsel has asserted that we have the right to withdraw at any time before July 1, 2021.

The TCSIG administration staff has been asked to aid all our members to place resolutions on the June 2021 agendas of their respective districts (in the same manner that we went through in December 2020). You will be contacted within the next 10 days by a member of the TCSIG staff to assist in this undertaking.

Sincerely,



Ryan Robison
TCSIG President

RR/mg