Risk Management Primer for School Districts

Sound risk management helps assure stewardship through minimization of self-insurance and insurance costs, minimization of claims, and compliance with regulated loss control and safety measures.

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COMPONENTS OF RISK MANAGEMENT

INTRODUCTION

Risk management is critical in providing a safe and secure learning environment for students, staff and the general public. Equally, it is essential for stewardship of taxpayers' dollars, minimize losses/ claims against the district, and comply with regulatory compliance. Therefore, district staff that are involved in risk management need to identify and analyze exposures and take actions to avoid, prevent, reduce, retain, or transfer risk.

As a first step, it is essential to understand that "risk" is defined as the product of the probability that an outcome will occur (the frequency) and its consequences, given that it occurs (the severity). Risk suggests adverse outcomes to most people, but evaluation of risk can represent positive or negative changes (such as stock market or real estate investments). In this primer, risk refers to negative consequences as broadly defined in the following chart:

Definitions of Occurrences and Consequences

		Consequences are:	
		Positive	Negative
Occurrence is:	Certain	Benefit	Cost
	Uncertain	Opportunity	**RISK**

From this definition of risk, "risk management" is concerned with the minimization of uncertain negative consequences. Generally, risk management deals with those potential negative events unique to school districts and community colleges. The four basic steps in the risk management process are presented in Exhibit 1.

Exhibit 1-The Risk Management Process

The risk management process is continuing and dynamic as students, employees, parents, volunteers, contractors, equipment, facilities, services, programs, and laws change. To respond to change, a successful public education risk management and insurance program requires ongoing evaluation and oversight to achieve its objectives as follows:

- Provision of students' right to a safe, secure, and peaceful learning environment.
- Protection of district's physical and human assets.
- Minimization of the possible interruption of your educational and ancillary services.
- Compliance with all applicable rules, regulations, procedures, and laws.
- Minimization of your agency's or district's exposure to financial loss.
- Reduction of your agency's or district's total cost of accidents and other losses through safety, security, and loss avoidance programs and practices and the contractual transfer of risk.

An effective risk management program requires effectual organization, formal policies, regular and documented procedures, information management, fiscal control, and support from and communications among the district's elected officials, management, employees, third party contractors, students, parents, and volunteers.

As a key risk management representative of your district or agency, you can help your agency or district achieve an efficient risk management program through a combination of risk management techniques including the acquisition of a portfolio of insurance and excess insurance coverage and the management of third party contractual risk transfer. As a key risk management representative of your district or agency, you can better serve it by attaining a more comprehensive understanding of the nature of its risks and methods for managing these risks.

The benefits that you can help the district achieve can easily outweigh their corresponding costs. These include the following:

- Safer and more secure schools,
- Decreased cost of risk (through reduction of property loss, lost time, liability loss, and contractual risk transfer),
- Increased productivity and morale through accident and occupational illness reduction, and
- Better contingency planning through the identification of risks and the application of retention, transfer, avoidance, and reduction techniques.

This primer overviews some public K-14 education risks, discusses some public school functions and their relationship to transfer of risk and insurance issues, introduces you to some issues involved with public schools and insurance, and presents some insurance coverage implications of standard commercial insurance contracts applied to public schools and third parties dealing with public schools. The emphasis of this primer is

California local public school and community college entities (typically, county level and smaller).[1]

IDENTIFYING AND ANALYZING EXPOSURES TO RISK

Risk identification and analysis provide the foundation upon which ASCIP member risk management and loss control programs are based. Identification can be achieved by classifying exposures by into six (6) basic types as follows:

1. Property exposures
2. Loss of income exposures
3. Extra expense exposures
4. Employee exposures
5. Student exposures
6. Third party liability exposures.

Property exposures include both real property (e.g., buildings) and personal property (e.g., vehicles, computers, furniture, equipment, supplies, money, art, and books). Perils include any actions or inactions that may damage, destroy, or cause the property to be lost or stolen.

Loss of income exposures include those exposures that might cause a loss of public revenue through ADA reimbursements, other taxes, fees, permits, fines, forfeitures, charges for services, investment securities, grants, and other sources.

Extra expense exposures include expenses incurred while restoring activities or services or in maintaining them while restoration work is in progress. Because many services must be provided to protect student's health and safety while providing for their education, regardless of cost, agencies and districts may incur high costs to ensure continuation of services.

[1] State and federal level public education risk management and exposure to loss is largely assumed through self-insurance and may be subject to differing and additional immunities when compared with local educational agencies and districts.

Employee exposures include those exposures to which employees are subjected. These include the use of equipment, maintenance, and housekeeping procedures, occupational disease exposures, and working conditions. Examples of potential losses from this category that are insurable include workers' compensation, disability payments, and death benefits.

Student exposures include those exposures to which students are subjected. These include the potential for being abused, travel exposures, exposure to athletic- and other activity-based injuries, and information-based exposures (e.g., stolen records, Internet abuse). Examples of potential losses from this category that are insurable include third party liability coverages and student health, travel, and accident coverages.

Third party liability (legal liability to others) represents another exposure to loss that agencies and districts face. Third party liability covers exposures and damages resulting from injuries to other persons (including students and employees) and damage to their property. It includes wrongful acts and negligence of the agencies or districts and their officials, employees, and agents. Examples include abuse and molestation, discrimination, violation of civil rights, faulty public facilities, and wrongful discharge.

Identification of exposures can be accomplished through:

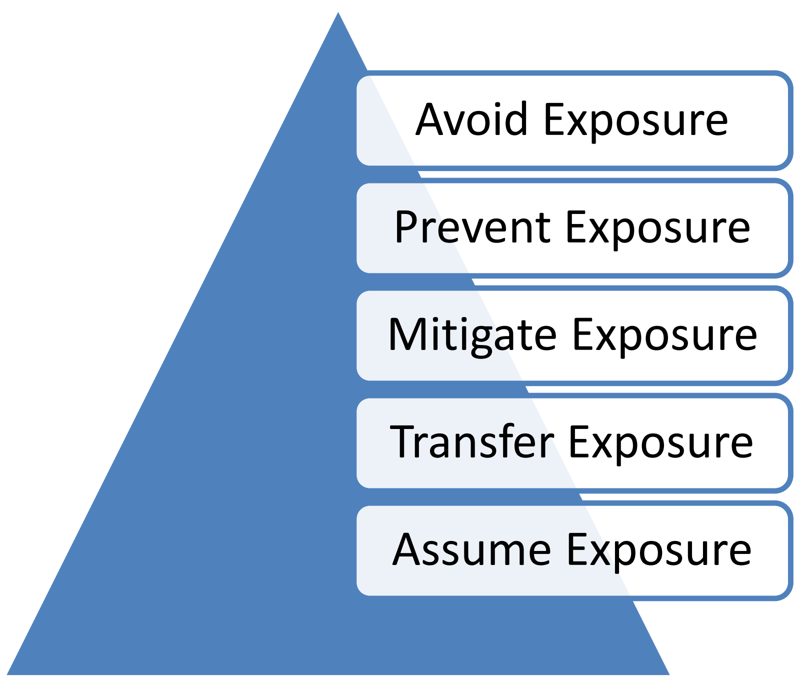
- Interviews of officials, management, key employees, key volunteers, and student representatives,
- Review of documents (e.g., agreements, contracts, credentials, forms, policies, procedures, leases, budgets, grants, and laws),
- Inspections, appraisals, and surveys of premises and operations, and
- Review and projection of exposure and loss experience (e.g., budgets, revenues, payrolls, ADAs, liability claims, athletic and special events, vehicle accidents, and workers' compensation).

Once risks are identified, they can be analyzed. Analysis focuses on two dimensions of potential losses—frequency and severity of loss. Frequency is simply, "*How often do these types of losses occur?"* (In practice, frequency is often observed as "frequency per unit exposure per time period" in order to facilitate comparisons. Astute risk managers also examine the types of distributions represented by their losses in order to understand better the expected variance of losses and the potential for extreme values.) Severity addresses the question, "*How large are these losses, on average, given that they've occurred?*" In addressing the concept of severity, it is also prudent to ask, "*What is the largest foreseeable loss of this type?*" and "*Does a large loss of this type have the potential to damage multiple properties or persons simultaneously?*" Types of risk that occur in large numbers of smaller losses usually indicate that risk prevention and self-insurance are preferred methods for managing these types of risk. Rare, but large losses are usually candidates for risk avoidance techniques, if feasible, and transfer of risk by means of pooling, traditional insurance, or a combination of loss transfer mechanisms.

CONTROLLING EXPOSURES

Risk control techniques are often determined by category of risk and by insurance market conditions. Generally, elimination of high severity risks is the first priority. Exhibit 2 illustrates the risk control options.

Exhibit 2- Risk Control Options



Avoidance is an extremely effective means to control risk. However, public entities rarely use risk avoidance (since public entities are, by their nature, often compelled to permit or engage in risky activities such as firefighting or police work). Examples of risk avoidance adopted by some communities are the banning of trampoline use in public parks and prohibitions on fireworks.

Prevention has the primary goal of reducing occurrences. Risk prevention typically focuses on frequency and efforts to reduce frequency of preventable occurrences. Loss prevention attempts to modify behaviors by instituting policies, procedures, practices, training, awareness, and incentives, and to alter the environment (e.g., tools, furniture, equipment, facilities) to prevent accidents. Safety professionals typically concentrate their risk management efforts in the area of prevention.

Mitigation primarily focuses on minimizing severity once an event has occurred. Loss reduction techniques attempt to reduce expected losses by minimizing that which can be damaged or cause damage such as quickly removing wet wallboard and drying out flooded enclosures to help prevent fungal growth and by salvaging the damaged. Earthquake-specific building codes and laws such as the Field Act are examples of both risk prevention and risk mitigation.

Assumption of risk can be intentional or accidental. Intentional assumption is the application of risk retention. Attention must be given to the amount of risk assumed compared to its corresponding, potential insurance premium (or risk transfer alternative). Accidental assumption occurs because of ignorance or neglect. Such ignorance or neglect can be the result of (1) lack of insurance knowledge, (2) negligence in identifying exposures, or (3) poor or no attempts at controlling risks. *ASCIP's risk services consultants can help educate ASCIP members in all three of these areas and can keep you abreast of issues concerning new and changing exposures to risks.*

Agencies and districts often assume risk internally by the following techniques:

- Charge expenses (losses) to departmental budgets at cost (post-occurrence),
- Charge expenses (anticipated or actual losses) to a funded reserve, or
- Charge insurance deductibles to departmental budgets or to a funded reserve.

Risk assumption decisions are made by agencies and districts based on a number of factors as follows:

- Comparison of expected losses (plus claim management and adjustment expenses) to insurance premiums, over time.
- Magnitude and predictability of losses.
- Categorization of exposures (e.g., exposures that can be prevented or mitigated are better to assume than exposures that are difficult to prevent or mitigate).
- Loss history.
- Financial ability of your agency or district.
- Staff capabilities and access to ASCIP risk services consultants and their support teams.

Transfer of risk can be accomplished through pooling, insurance, and contractual risk transfer. These risk-financing techniques allow for considerable flexibility in the design of risk management programs based upon each District's analysis of its own risks, exposures, and experiences and with allowances for integration of risk assumption decisions via deductibles, self-insured retentions, and pooling base layer cost sharing agreements.

ATTACHMENT 1-RISK MANAGEMENT OPTIONS FOR PROPERTY RISKS

PROPERTY RISKS- Risk management protection for your entity's buildings and business personal property risks can utilize a variety of tools.

1. **Avoidance**. There are various means of avoiding the risk of damage to your entity's buildings and personal property.

   a. **Builder's Risk Insurance**. One way to avoid the property exposure of infrastructure during its construction phase is to require the general contractor to carry builder's risk insurance. Builder's Risk insurance covers buildings or building alterations during the course of their construction. It also includes coverage for foundations and, if situated within 100 feet of the premises, fixtures and machinery used to service the building, and materials and supplies used in the construction. It will also cover, providing there is no other insurance applicable, coverage for temporary structures built or assembled on the site, including scaffolding, cribbing, and construction forms.

      In addition to providing coverage needed to meet the requirements of a building during construction, it also uses a rating method that recognizes the accumulation of value, which starts at zero and progresses to the completed value of the building at the time your entity accepts the structure and releases the general contractor from its coverage obligation. Thus, the average value at risk is fifty percent of the completed value.

   b. **Contractual Risk Transfer**. Another way to protect a district's property risks is to utilize contractual risk transfer. This may include contractual insurance requirements for the District's contractors, vendors, lessees, or permittees. In conjunction with contract provisions such as indemnity clauses, contractual insurance requirements can be used to put the risk to property on the other party to the contract, and, where appropriate, maintain the public entity's interest through the use of loss payee and additional insured endorsements.

2. **Prevention and Mitigation.** A district or education agency can take certain steps to protect its property exposures from property damage. For example, it can use signage

as warnings or notice or install bollards as barriers against vandals and terrorists, which would not only protect property damage but protect individual from injury. Proper maintenance of grounds and facilities and good housekeeping are also methods of preventing property damage. Conducting regular safety inspections (e.g., fire extinguisher inspections, inspection of fire and security alarms, boiler and machinery inspections, etc.) can help prevent property damage losses.

3. **Insurance**. Risk transfer can occur by insurance. Some insurance coverage forms that can be used to protect a public entity's property exposures[2] are described below:

   a. **Commercial Property Insurance**. Commercial property insurance provides coverage for your entity's covered buildings, business personal property, and personal property of others in your entity's care, custody, or control for damage or loss resulting from covered perils. Commercial property insurance can be written on either a blanket or scheduled basis. Even if coverage is written on a blanket basis, buildings and covered items typically are scheduled. However, blanket coverage will not be voided by an oversight or unintentional omission.

   "Building" includes completed additions, permanently installed fixtures, machinery and equipment, outdoor fixtures, personal property owned by the insured to maintain or service the building or structure including fire extinguishing equipment, outdoor furniture, floor coverings, and appliances used for refrigerating, ventilating, cooking, dishwashing or laundering. If not covered by other insurance, a covered building will include additions, alterations and repairs to the building or structure if under construction, including the materials, equipment, and supplies used, and temporary structures on or within one hundred feet of the described premises.

   "Business Personal Property" includes business personal property described in the policy Declarations or in the open within 100 feet of the described premises including furniture and fixtures, machinery and equipment, stock, all other personal property owned by the public entity and used in its operations, labor, materials or

[2] It is important for your entity to carefully review the coverage that is available for its computer equipment under the combination of its commercial property, equipment breakdown, inland marine, and crime policies.

services furnished or arranged by the public entity on personal property of others, and the public entity's use interest as a tenant in improvements and betterments.

"Personal property of others" is covered by a commercial property policy if in the public entity's care, custody or control and located in or on the scheduled building or in the open (or in a vehicle) within one hundred feet of the scheduled premises.

Commercial property insurance can be written with the Basic Form Causes of Loss, the Broad Form Causes of Loss, or the Special Form Causes of Loss. The Basic Form Causes of Loss protects property from direct physical loss caused by fire, lightning, explosion, windstorm or hail, smoke, aircraft or vehicles, riot or civil commotion, vandalism, sprinkler leakage, sinkhole collapse, or volcanic action. The Broad Form Causes of Loss adds falling objects, weight of snow, ice or sleet, and water damage to the list of perils. The Special Form Causes of Loss (commonly, but somewhat inaccurately called, as "All Risks" coverage); covers all risks of physical damage except for specified exclusions. The ASCIP MOC Property/Boiler-Machinery is a Special Form Causes of Loss form.

Commercial property insurance for public school districts and educational agencies often includes builder's risk insurance. When offered in this manner, it is often referred to as "course of construction" coverage. Moreover, there is often a sublimit on this coverage of less than five percent of the public entity's limit. This allows entities to perform renovations and additions without needing specific permission from underwriters but for any major construction, an entity will either need to purchase a separate course of construction risk policy or require its building contractor to carry builder's risk. The ASCIP MOC Property/Boiler-Machinery includes course of construction coverage under its Section 2.F.

b. Boiler and Machinery Insurance or Equipment Breakdown Insurance. The scope of the traditional boiler and machinery policy has been expanded and now can be termed an "equipment breakdown" policy. The equipment breakdown protection coverage form provides coverage for a breakdown to covered equipment, whether such equipment is in use or connected ready for use.

A “breakdown” means direct physical loss that causes damage to covered equipment resulting from the failure of pressure or vacuum equipment, mechanical failure including rupture or bursting caused by centrifugal force, or electrical failure including arcing unless the loss or damage is otherwise excluded in the policy.

“Breakdown” does not include (a) malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification, (b) defects, erasures, errors, limitations, or viruses in computer equipment and programs including the inability to process any date or time or provide instructions to covered equipment, (c) leakage at any valve, fitting, shaft seal, gland packing, joint or connection; (d) damage to any vacuum tube, gas tube or brush; (e) damage to any structure or foundation supporting the covered equipment or any of its parts, (f) the functioning of any safety or protective device, or (g) the cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

The equipment breakdown form provides a shopping list of coverages, and the public entity can select the coverages that best address its risks. The equipment breakdown form can provide property damage coverage, expediting expense, business income and extra expense, extra expense only, extended period of restoration coverage, data or media coverage, spoilage damage coverage, utility interruption, newly acquired premises coverage, ordinance or law coverage, errors and omissions coverage, brands and labels coverage, contingent business expense and extra expense coverage.

Insurable equipment includes: fired pressure vessels (e.g., steam boilers, hot water boilers, water heater, sterilizers, and vulcanizers), unfired pressure vessels (e.g., air tanks, liquid petroleum gas (LPG) tanks, heat exchanges, steam chests, steam kettles, air conditioning systems, refrigeration systems, auxiliary piping), electrical equipment (e.g., motors, generators, transformers, switchboard and panels, solid state rectifiers, security systems, elevators, refrigeration systems, electrical distribution systems), mechanical equipment (e.g., compressors, pumps, fans and blowers, gears and gear sets, wheels, shafting, internal combustion engines, steam engines, turbines, elevators, refrigeration systems), computer, electronic and communication equipment (e.g., computer mainframes, desktop computers, fax machines, printers, telecommunications systems), security systems, fire detection systems, inventory scan equipment, and elevators.

Many risks need to be individually analyzed through a physical survey that can be completed by ASCIP. In this survey, ASCIP's engineer or appraiser will develop information on the physical condition of the "objects" (the vessels, machinery, and other tangible property insured under a boiler and machinery policy), the hazards involved in the operation of the objects, general plant conditions and the relation of the objects to be insured to surrounding equipment or property, and an evaluation of the extent of indirect damage risks. This survey will contain the pertinent data needed to rate coverage for the objects to be insured. The ASCIP underwriter can help you determine (a) which objects should be insured, (b) what kind of coverage should be provided (e.g., limits, replacement coverage, deductibles), and (c) what indirect coverages should be arranged (e.g., business interruption, extra expense, consequential damage).

c. Automobile Physical Damage Insurance. Automobile physical damage insurance will pay for or repair damaged property and will pay for, return, repair or replace stolen property. If stolen property is returned to the insured, the insurer will pay for the cost of any repairs resulting from the theft. The policy pays whichever is less – actual cash value or the cost of repair or replacement.

There are three types of automobile physical damage coverage: *comprehensive* coverage that protects against loss to a covered auto from any cause except collision with another object or overturn of the covered auto; *specified causes of loss* coverage that protects against loss to a covered auto from specified causes of loss (e.g., fire, lightning or explosion, theft, windstorm, hail or earthquake, flood, mischief or vandalism, or the sinking, burning, collision or derailment of any conveyance transporting the covered auto); and *collision* coverage that protects against loss to a covered auto caused by the covered auto's collision with another object or its overturn. The ASCIP MOC Automobile Physical Damage includes comprehensive and collision coverage under its Section 1.A. and B.

Additional coverages available are towing coverage and coverage for damage due to glass breakage, hitting a bird or animal, or falling objects. Automobile physical damage insurance usually covers transportation expense because of theft and loss of use expenses arising from hired auto physical damage (covers loss of use expenses required by a written rental agreement for a hired covered auto if the loss of use expenses are caused by damage other than collision if the insured has comprehensive coverage, damaged caused by a specified causes of loss if the insured has specified causes of loss coverage, or damage caused by collision if the insured has collision coverage).

d. **Inland Marine Insurance**. Inland marine insurance is used to provide coverage for many items excluded from the commercial property policy and not covered by an ocean marine policy. There are a large number of Inland Marine "floaters" that can be used to address these risks, many of which are transit risks. For example, Inland Marine floaters are used to insure transit-type risks, such as jewelry, fine arts, rare stamps and coins, and mail. Inland Marine floaters are also used to insure signs, libraries, valuable papers, and accounts receivable.

Inland Marine coverage is typically provided on an "All Risks" basis (i.e., the policy will cover all risks except for those specifically excluded). Covered property often excludes contraband or property in the course of illegal transportation or trade as well as other exclusions specific to the type of item insured. The ASCIP MOC Property/Boiler-Machinery includes transit coverage under its Section 4.H.

ATTACHMENT 2- RISK MANAGEMENT OPTIONS FOR CRIME RISKS

Crime risks come from two sources—your employees and others. These items will be separated for the purposes of this discussion.

CRIME—EMPLOYEE DISHONESTY

1. **Avoidance, Prevention, and Mitigation.** Theft by employees can be avoided or mitigated by utilizing pre-employment screening. Background education, credentialing, and employment checks, live scan fingerprinting and background criminal checks, and DMV checks can help identify potential risks.

   During the course of employment, personnel policies can be implemented to protect against employee dishonesty. For example, requiring two signatures on checks or for approval of expenditures can prevent or mitigate employee crime. Cash and audit controls can monitor the handling of money or securities by employees.

   Conducting regular inventories of stock and materials is a good management practice and will highlight any unexplained shortages. Tagging equipment is another means of keeping track of a public entity's personal property. Finally, a good security system and security alarms can also prevent, deter, or discourage potential employee theft.

2. **Insurance and Bonds.** A district or educational agency can utilize a combination of bonds and insurance to transfer the risk of employee dishonesty. These are usually written in the commercial market and are offered by ASCIP.

   a. **Government Crime Insurance or Fidelity Bonds.** Public Official Bonds offer a financial guarantee that a public official will act with honesty and faithful performance. The requirement for such bonds is often written into statutes or regulations. These can be required for specific positions (typically elected officials, such as city clerks and sheriffs). Government crime policies can also cover public officials' honesty and faithful performance, and, often, these types of policies are more popular since they typically cover all of an entity's officials and employees. The ASCIP MOC Comprehensive Crime covers this under its Section 1.A.

      Government crime policies can be written on a discovery form or a loss sustained form. A discovery form indemnifies the insured entity for losses sustained at any time and discovered during the policy period or during the extended discovery period. In comparison, the loss sustained form indemnifies the named insured for losses that are sustained and discovered during the policy period or during the extended reporting period. The ASCIP MOC Comprehensive Crime is a loss sustained form.

Crime coverage can protect your entity against employee theft, forgery or alteration, computer fraud, funds transfer fraud, and money orders and counterfeit paper currency. In addition, other coverage that can be endorsed to the crime policy include: destruction of electronic data or computer programs; employee theft by scheduled name or position; extortion of the public entity; robbery or burglary inside the premises of other property; robbery or safe burglary of money and securities inside the premises; theft of other property inside the premises; securities deposited with others; and unauthorized reproduction of computer software by employees.

There is typically an extensive list of exclusions under a Government Crime policy including acts committed by the Named Insured, whether acting alone or in collusion with other persons, theft or any other dishonest act committed by any of the public entity's officials, employees or authorized representatives while performing services for the named insured, loss resulting from seizure or destruction of property by government order, indirect losses, legal expenses, loss resulting from a nuclear incident, loss resulting from war, loss caused by bonded employees, trading losses, losses caused by treasurers or tax collectors may not be covered, accounting or math errors or omissions, loss resulting from fire except for loss or damage to money and securities and loss from damage to a safe or vault, loss from money-operated devices, loss to motor vehicles; loss due to vandalism, funds transfer fraud, inventory shortages, voluntary parting of title, and computer fraud.

b. **Public Officials' Errors and Omissions (E&O) Liability Coverage**. Public officials' errors and omissions liability policies provide coverage against liability for actions or decisions claimed to have caused financial losses, the violation of civil rights, as well as legal fees incurred in the defense of an official for an entity. Liability arising from decisions regarding zoning, land use, business and building permits, and other government functions can also be covered. Law enforcement activity can be covered by a public officials errors and omission policy but can also be written as a separately. Public officials' errors and omissions policy might also be extended to cover employment practices liability. The ASCIP General and Automobile Liability covers this in Section I(a) – Liability Coverages, 2. Coverage C – "Errors and Omissions Liability."

CRIME—DISHONEST ACTS OF THIRD PARTIES

1. **Prevention**. Districts and educational agencies can protect their buildings and business personal property from defacement, damage or loss resulting from the acts of third parties by preventative measures such as the use of fencing, security guards, video surveillance, and security alarm systems.

   In addition, procedures geared towards your entity's educational function can help reduce its exposure to third party crime. For example, having the first custodian that arrives each day remove graffiti before the morning bell can be an effective crime deterrent. Likewise, entities that collects cash should deposit the funds collected on a daily basis and should place funds in safes while the funds are on the entities' premises.

2. **Contractual Risk Transfer**. When your entity leases or rents its buildings or parts of facilities to third parties, it can transfer the risk of property damage loss to the lessee or renter through the use of indemnity provisions and insurance requirements in its leases and rental agreement. ASCIP risk services consultants can assist your entity in using appropriate risk transfer language. Similarly, when your entity uses a contractor to provide goods or services, your entity can transfer the risk of it causing harm to your property, staff, students, or others or to the automobiles in its care and custody to the contractor. Again, ASCIP risk services consultants can assist you in the proper use of indemnity and hold harmless provisions as well as insurance requirements to transfer these risks to your contractors.

3. **Insurance**. The risk of loss from the dishonest acts of third parties can be transferred to an insurance company, or other risk financing mechanism through the use government crime coverage and inland marine coverage.

   a. **Commercial Property Insurance.** A commercial property insurance policy will provide coverage for vandalism of covered buildings or burglary of personal property. However, a commercial property policy typically will not cover theft in the absence of evidence of forced entry.

   b. **Government Crime Insurance.** The government crime policy will protect the public entity from certain dishonest acts by third parties. A crime policy typically covers loss resulting directly from forgery or alteration of checks or other financial instruments that are purported to be drawn on the public entity; from theft, burglary or safe burglary of money and securities from inside the premises; loss of money and securities outside the premises in the care and custody of a messenger or an armored motor vehicle company; and fraudulent funds transfer. A public entity should ensure that the policy specifically covers its computer equipment and risks of crime as a result of electronic transfers such as the Internet and bank wires.

   c. **Inland Marine Insurance**. Inland Marine "floaters" that can be used to address these risks such as fine arts, mail, signs, libraries, valuable papers, and accounts receivable. If computer equipment is excluded under the government crime policy, an inland marine floater can be used to provide coverage.

      Inland Marine coverage is often provided on an "All Risks" basis, (i.e., the policy will cover all risks except for those specifically excluded). Covered property will exclude contraband or property in the course of illegal transportation or trade as well as other exclusions specific to the type of item insured.

RISK OF LOSS OF INCOME. In the event of a loss, the public entity may not be able to resume immediately its operations resulting in a loss of income.

1. **Prevention and mitigation**. The risk of loss of income can be reduced by adopting procedures that will reduce the risk of the hazard leading to the loss of income. This includes regular building and safety inspections as well as good housekeeping and

maintenance. Good loss control and safety procedures ultimately reduce all consequential risks.

2. **Bonds.** A District can utilize bid and performance bonds to avoid a loss of income in the event that a construction contractor fails to meet bid or performance requirements. Surety bonds offer assurance that the contractor is capable of completing the contract on time, within budget, and according to specifications. Bonds transfer the risk from the District to the surety company.

   A bid bond is a guarantee given by a bidder that the contractor will enter into the contract and furnish any performance and payment bonds required by the contract. A performance bond protects the owner, the District, from financial loss should the contractor fail to perform the contract in accordance with its terms and conditions. A payment bond assures that the contractor will pay certain workers, subcontractors, and materials suppliers.

   Bond underwriters require prequalification of the contractor. The surety underwriter will look at the references and reputation of the contractor, the contractor's work history, the contractor's experience, the contractor's financial resources, the contractor's inventory of required equipment to perform the contract, the contractor's credit history, and the contractor's established bank relationship and line of credit.

   If a contractor defaults on a contract, the District must formally declare the contractor in default. The surety will investigate the claim and if it determines that there was a default under the bond, the surety may have several options set forth in the bond. The surety may have retained the right to re-bid the job for completion, bring in a replacement contractor, provide financial and/or technical assistance to the existing contractor, or pay the penal sum of the bond.

   The Miller Act (40 USC §§270 et seq.) requires contractors on federal public works contracts to obtain performance bonds for all contracts in excess of $100,000 and payment bonds for contracts in excess of $25,000. In addition, California has its own

"Little Miller Act" that includes similar requirements for state and local public works construction contracts.[3]

3. **Contractual Risk Transfer**. When a public entity utilizes contractors or vendors, or when it leases or issues use licenses, it can contractually transfer the risk of loss of income to the contractor, vendor, lessee, or licensee/permittee.

   For example, the public entity can utilize indemnity and hold harmless provisions to transfer the risk of loss. As discussed above, it can require bid and payment and performance bonds for large construction projects. With leases, it can require the lessee to obtain rental interruption insurance or business interruption insurance.

4. **Time Element Insurance**. Time element insurance covers indirect losses that occur as a result of direct damage to property. These include loss of business income, rental income, and extra expense. Schools may require loss of tuition (e.g., ADA) coverage or may require loss of bond payments revenue (i.e., ADA) coverage.

   Time element or loss of income insurance can be purchased under any of the property insurance coverages listed under section 3.a. above. This type of insurance can be used for partial losses as well as catastrophic situations. The "time element" applies to the length of time that this coverage is needed. Business interruption and extra expense coverage is provided for a designated period of time, based on the time needed to restore normal operations. The "time element" also applies to the deductible, which is a based on a time period rather than a monetary amount (e.g., 30 days).

   District can also require its lessees to obtain rental interruption insurance under their property insurance coverage in order to eliminate the risk of loss of rental income in the event the rented structure (e.g., excess District property) becomes uninhabitable during the rental term due to a covered loss.

[3] See California Civil Code, Title 3, Public Work of Improvement, Chapters 4 and 5, Payment Bond for Public Works, Sections 9558, 9502, 9204, 9358, and 9356; California Public Contract Code, Part 2, Ch. 1, Art. 7, Contract Requirements, Sections 10220 through 10230. Basically, these laws state that bonds are required for all public works' contracts in excess of $25,000.

Loss of income coverage may also be obtained under an Inland Marine floater covering accounts receivable to protect against loss of income in the event of a covered loss, such as theft by an employee or third party.

A District might also require business interruption insurance covering its own operations in the event of a loss. This will enable it to set up alternative operations if a structure is damaged or destroyed by a covered loss. Similarly a District might also require its contractors to obtain business interruption insurance so that the contractors can continue to work even if they suffer a property loss which would otherwise interrupt their performance.

Business interruption insurance pays the insured for lost income if the insured has to vacate its premises due to disaster-related damage that is covered under the insured's property insurance property, such as a fire. Business interruption insurance covers the profits the insured would have earned, based on its financial records, had the disaster not occurred. The policy also covers operating expenses, like electricity, that continue even though business activities have come to a temporary halt.

Extra expense pays the insured for the cost to continue operating after a property damage loss (at either the insured premises or at a temporary location during the period of restoration) that is in addition to its normal operating expenses.

ATTACHMENT 3-RISK MANAGEMENT OPTIONS FOR WORKERS' COMEPENSATION RISKS

Districts can reduce its risk of incurring workers' compensation losses through a combination of administrative, insurance, and safety measures.

1. **Pre-Employment Screening**. Your entity may be able to prevent some potential workers compensation claims by conducting thorough pre-employment screenings. Verification of employment and educational history are two tests of applicants' veracity. Driving record checks as well as criminal background checks are means for minimizing the chances for risks in employment.

2. **Job Hazard Analysis.** A job hazard analysis is a technique promoted by Cal/OSHA to encourage identification of hazards before they occur. A job hazard analysis looks at the relationship between the worker, the task, the tools and equipment, and the work environment. By identifying potential hazards, the employer can take steps to eliminate or reduce them to an acceptable risk level.

3. **Volunteers**. Your entity should carefully determine what roles volunteers can undertake to reduce their workers' compensation exposure.[4] Volunteers should be properly trained and supervised to reduce the workers' compensation risk.

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[4] California school district volunteers are covered under workers compensation **if the Superintendent or District adopts a resolution designating its volunteers as employees** (Labor Code Section 3364.5). If a District adopts such a resolution, its wording should provide that volunteers have the exclusive remedy of workers' compensation for their injuries. In addition, all volunteers, regardless of whether or not such a resolution is in force, should be required to sign a waiver of liability, including medical liability. There is a "catch all" provision in Labor Code Section 3363.5 allowing other public agencies to adopt resolutions specifically allowed for recreation and park districts, as well as school districts, designating volunteers as employees for purposes of workers' compensation benefits.
Otherwise, California Labor Code Section3352 excludes, among others, the following from its definition of "employee:" "…(g) Any person, other than a regular employee, participating in sports or athletics who receives no compensation for the participation other than the use of athletic equipment, uniforms, transportation, travel, meals, lodgings, or other expenses incidental thereto. … (i) Any person performing voluntary service for a public agency or a private, nonprofit organization who receives no remuneration for the services other than meals, transportation, lodging, or reimbursement for incidental expenses. (j) Any person, other than a regular employee, performing officiating services relating to amateur sporting events sponsored by any public agency or private, nonprofit organization, who receives no remuneration for these services other than a stipend for each day of service no greater than the amount established by the Department of Human Resources as a per diem expense for employees or officers of the state. The stipend shall

4. **Contractors, Vendors, Permittees, Grantees.** Your entity should include State of California Labor Code workers' compensation requirements in its contracts with contractors and vendors, in its permit agreements with permittees, in its leases or rental agreements with lessees and tenants, and in its grants with grantees.

5. **Occupational Health and Safety.** Personnel policies can reduce workers' compensation claims by incorporating safe work practices. For example, proper use of safe tools and equipment that is properly maintained can help reduce workers' compensation claims. Use color codes, posters, labels, or signs to warn employees of potential hazards can help prevent injuries and reduce the workers compensation risk. An employer should establish or update operating procedures and communicate them so employees follow safety and health requirements.

Federal and state OSHA laws require that safe work practices be contained in various employer manuals that are available to employees. All employers are required to implement and maintain Injury and Illness Prevention Programs. An Injury and Illness Prevention Program must be written and shall, at a minimum:

(1) Identify the person or persons with authority and responsibility for implementation;

(2) Include a system for ensuring that employees comply with safe and healthy work practices (e.g., establishment of safe and healthful work practices, training and retraining programs, disciplinary actions, or any other such means that ensures employee compliance with safe and healthful work practices);

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be presumed to cover incidental expenses involved in officiating, including, but not limited to, meals, transportation, lodging, rule books and courses, uniforms, and appropriate equipment. (k) Any student participating as an athlete in amateur sporting events sponsored by remuneration for the participation other than the use of athletic equipment, uniforms, transportation, travel, meals, lodgings, scholarships, grants-in-aid, or other expenses incidental thereto…." "(n) Any person, other than a regular employee, performing services as a sports official for an entity sponsoring an intercollegiate or interscholastic sports event, or any person performing services as a sports official for a public agency, public entity, or a private nonprofit organization, which public agency, public entity, or private nonprofit organization sponsors an amateur sports event. For purposes of this subdivision, "sports official" includes an umpire, referee, judge, scorekeeper, timekeeper, or other person who is a neutral participant in a sports event." and 3352.94, "Employee" excludes a disaster service worker while performing services as a disaster service worker except as provided in Chapter 10 of this part. "Employee" excludes any unregistered person performing like services as a disaster service worker without pay or other consideration, except as provided by Section 3211.92."

(3) Include a system for communicating with employees including provisions designed to encourage employees to inform the employer of hazards at the worksite without fear of reprisal (e.g., meetings, training programs, posting, written communications, a system of anonymous notification by employees about hazards, labor/management safety and health committees, or any other means that ensures communication with employees);

(4) Include procedures for identifying and evaluating work place hazards including scheduled periodic inspections to identify unsafe conditions and work practices whenever new substances, processes, procedures, or equipment are introduced to the workplace and present a new occupational safety and health hazard and whenever the employer is aware of a new or previously unrecognized hazard;

(5) Include a procedure to investigate occupational injury or occupational illness;

(6) Include methods and/or procedures for correcting unsafe or unhealthy conditions, work practices and work procedures in a timely manner based on the severity of the hazard ; and

(7) Provide training and instruction when the program is first established, to all new employees, to all employees given new job assignments for which training has not previously been received, whenever new substances, processes, procedures or equipment are introduced to the workplace and represent a new hazard, whenever the employer is made aware of a new or previously unrecognized hazard; and, for supervisors to familiarize themselves with the safety and health hazards to which employees under their immediate direction and control may be exposed.

If, for example, your entity operates a clinic or has nurses on staff, and there is a possibility of exposure to bloodborne pathogens (e.g., for schools with nursing staff), the public entity must have a bloodborne pathogens exposure control plan. This plan may require the use of needleless sharps or sharps with engineered controls to protect employees and the public, as well as specific reporting requirements, medical treatment, and post-exposure follow up for needle stick incidents. Employee training in the proper use of sharps, personal protective equipment, personal hygiene, handling of contaminated sharps or laundry, and other actions to reduce the risk of a needle stick incident are also included in the bloodborne pathogens exposure control plan.

If your entity has laboratory facilities (e.g., high schools), it must have a chemical hygiene plan. The chemical hygiene plan will identify all hazardous substances in the laboratory and require employee training for the proper use, handling, and storage of chemicals. Similar to the bloodborne pathogens exposure control plan, there are specific reporting procedures for exposure incidents, requirement for use of engineered controls, recordkeeping requirements, waste disposal, requirements for medical examination after an exposure incident, and post-exposure follow up. Personal protective equipment, such as goggles, face masks, laboratory clothing, and other equipment suitable to the laboratory uses are also identified in the chemical hygiene plan. The chemical hygiene plan must be available to all employees. The development and implementation of the chemical hygiene plan within employee training programs should result in a safer working environment and contribute to a reduction in work place accidents and injuries.

If your entity has hazardous substances in its workplaces, your entity must have a hazard communications program. Your entity must comply with the Safety Data Sheets (SDS) for hazardous substances and make the SDSs available to employees. Your entity must also inform contractors working at sites with hazardous substances of the potential risks to their employees.

Your entity as an employer must also implement a respiratory protection program in accordance with the law if there is potential harmful exposure to lead, asbestos, or other toxic materials or regulated carcinogens.

Ergonomics reviews are another way of reducing worker's compensation claims. Finally, creating a work environment free from discrimination and harassment reduces stress claims, in addition to a public entity's liability under Title VII of the Civil Rights Act of 1964 which prohibits employment discrimination based on color, race, religion, sex, or national origin.

Workers' Compensation Insurance. Workers' compensation coverage is generally a statutory requirement. Exceptions generally apply to employers who are sole proprietors or partnerships or limited liability companies with no employees.

Workers' compensation laws require employers to compensate workers injured in the course of employment, regardless of fault. Workers' compensation also covers occupational diseases, such as repetitive stress syndrome. In most states, including California, workers' compensation coverage is compulsory. [In a few states, workers' compensation is elective.] Whenever workers' compensation laws are in force, employers are usually exempt from common law actions by their workers for job-related injuries.

Workers' compensation pays four types of benefits: medical payments; disability income; rehabilitation benefits; and death benefits.

In addition, workers' compensation policies normally contain an employers' liability coverage part which pays common law claims by employees injured on the job who are not covered by workers' compensation.

Workers' compensation premiums are based on manual rates classified by job type and levied per $100 of payroll. Experience rating plan modifiers (or percentage deviations from the weighted average, job-type rates) are applied to individual employers that exceed certain minimum rating qualifications.

ASCIP's Workers' Compensation Memorandum of Understanding (WC MOU) offers members the opportunity to purchase first dollar coverage or coverage with a self-insured retention (SIR) of $150,000, $250,000, or $350,000. ASCIP's coverage form includes statutory workers' compensation, employer's liability with limits of $1 million per accident, employee, and policy period, and defense costs coverage for claims alleged under Labor Code Sections 132a or 4553 with limits of $10,000 and $100, 00 respectively.

ATTACHMENT 4- RISK MANAGEMENT OPTIONS FOR THIRD PARTY LIABILITY RISKS

Districts can manage their exposure to third party liability claims by utilizing a combination of avoidance, prevention and mitigation measures, contractual risk transfer, and insurance.

1. **Personnel Screening**. A District can utilize pre-employment screening to assist in reducing its risk. Verifying education and employment references is part of a public entity's due diligence and responsibility to the public. Employee driving record checks and criminal background checks can also reveal any criminal history. It is important to run screening checks for sexual predators for any staff or volunteers that might interact with or come into contact with minors or other vulnerable populations.

2. **Personnel Policies**. All employers are required to implement rules against discrimination as required by Title VII; the Equal Pay Act of 1963 (EPA), which protects men and women who perform substantially equal work in the same establishment from sex-based wage discrimination; the Age Discrimination in Employment Act of 1967 (ADEA), which protects individuals who are 40 years of age or older; Title I and Title V of the Americans with Disabilities Act of 1990 (ADA), which prohibit employment discrimination against qualified individuals with disabilities in the private sector, and in state and local governments; Sections 501 and 505 of the Rehabilitation Act of 1973, which prohibit discrimination against qualified individuals with disabilities who work in the federal government; and the Civil Rights Act of 1991, which, among other things, provides monetary damages in cases of intentional employment discrimination.

3. **Elimination or Mitigation of Safety Hazards**. A District can reduce exposure to third party liability claims by conducting regular safety inspections of its property and correcting any potential risks to the safety of employees or the public. Proper maintenance of the facilities and good housekeeping are important factors. Warning

signs should be posted and barriers erected around any unsafe conditions that are in the process of being corrected.

Employees should be trained to ensure that the public entity's operations are safe to the public. The safe use of automobiles and mobile equipment require training and education. For example, defensive driving courses should be required of employees that drive vehicles owned by the public entity. Crane operation and forklift training may be required by state or federal occupational health and safety laws.

State and federal occupational health and safety laws also require training of employees with respect to emergency evacuations, provision of medical services (e.g., vaccinations) to the public, as well as lead awareness and asbestos awareness.

4. **Commercial General Liability Insurance**. A commercial general liability insurance policy typically provides coverage for (a) damages for bodily injury or property damage suffered by third parties for which the insured public entity is legally liable; (b) damages for personal injury or advertising injury to third parties for which the insured public entity is legally liable; and (c) medical expenses of others arising out of bodily injury caused by an accident on or adjacent to the insured's premises or by the insured's operations, regardless of fault. It is preferable for coverage to be written on an occurrence basis instead of claims-made and for defense costs to be accrued outside of policy limits. A specialized commercial general liability policy that includes issues of public entities is sometimes referred to as a public liability policy. Specific endorsements may be required based on the activities of the public entity (e.g. schools and public entities that run youth programs would require abuse and molestation coverage).

   A commercial general liability policy significantly does not insure errors and omissions in the performance of the insured's job function or professional liability. Errors and omissions insurance and professional liability insurance have been specifically designed to cover this exposure. Moreover, other types of specialized liability insurance policies exist for employment practices liability, environmental impairment liability, and some types of construction insurance programs, which are discussed below.

ASCIP's General and Automobile Liability Memorandum of Understanding (WC MOU) offers members the opportunity to purchase bodily injury liability (Part A), property damage liability (Part B) and personal injury liability (Part D).

5. **Commercial Automobile Liability Insurance.** A commercial automobile liability policy provides coverage for all sums the insured public entity is legally liable as damages because of bodily injury or property damage to third parties caused by an accident and resulting from its ownership, maintenance or use of a covered auto.

   Commercial automobile liability coverage can be purchased for all of the public entity's auto fleet as well as hired and non-owned autos, or only for specifically scheduled autos.

   ASCIP's General and Automobile Liability Memorandum of Understanding (WC MOU) offers members the opportunity to purchase bodily injury liability (Part A), property damage liability (Part B) and personal injury liability (Part D).

6. **Employment Practices Liability Insurance**. Many insureds wonder why they need an employment practices liability insurance policy when they have a general liability policy. General liability insurance policies address third party liability claims for bodily injury, property damage, and personal injury. Employment practices liability insurance policies, on the other hand, specifically exclude coverage for bodily injury and property damage. An employment practices liability insurance policy provides coverage for financial and intangible loss resulting from the wrongful acts of the employer.

   There are wide variations in the definition of "loss" in employment practices liability insurance policies, and this is a term that should be reviewed carefully. The definition of loss may include damages, judgments, settlements, pre-judgment and post-judgment interest, and defense costs. Employment practices liability insurance policies typically exclude taxes, employee benefits claimed by the employee, accommodation costs for persons with disabilities, liability under federal, state or local wage and hour laws, commissions, bonuses, profit sharing, severance payments, future wages and benefits, and any liability that is legally uninsurable.

Punitive damages, criminal or civil fines or penalties, taxes, and costs uninsurable under the law are usually excluded, but some policies may provide broad coverage that includes punitive and exemplary damages when insurable under law with a specific limit of liability. Unless the policy specifically includes coverage for punitive and exemplary damages in the policy wording or by endorsement, punitive damages may not covered.

An employment practices liability insurance policy usually provides the following coverages:

- Wrongful termination, including constructive discharge, wrongful failure to hire, wrongful demotion, retaliation, failure or refusal to promote in violation of public policy or breach of an implied contract or agreement relating to employment, whether arising out of any personnel manual, policy statement or oral representation. Wrongful termination may include misrepresentation, infliction of emotional distress, defamation, invasion of privacy, humiliation, wrongful evaluation, or this may be covered separately under the category of workplace torts (discussed below).
- Discrimination or harassment because of race, color, religion, age, sex, disability, pregnancy, national origin, or any other protected class, which results in termination, demotion, failure to hire, failure to promote, failure to accommodate an employee or potential employee, denial of an employment privilege, or any other adverse or differential employment action;
- Sexual harassment including unwelcome sexual advances, requests for sexual favors or other verbal or physical conduct of a sexual nature that is made a condition of employment, is used as a basis for employment decisions, or creates an intimidating, hostile, or offensive working environment. This is almost always stated as a separate coverage but is essentially covered by the coverage for claims of sex discrimination or harassment (in the preceding paragraph).

Some policies may expand the basic coverage to include:

- Non-sexual workplace harassment that creates a hostile or offensive working environment.

- Workplace torts which may include employment-related misrepresentation, infliction of emotional distress, defamation, libel, slander, invasion of privacy, assault and battery, humiliation, wrongful evaluation, false imprisonment, malicious prosecution, negligent evaluation, hiring, retention, training, or supervision, wrongful discipline, or wrongful deprivation of a career opportunity (including failure to grant tenure) or interference with contractual relations.

- Retaliation separately described and actionable when the employee refuses to perform an act that would violate the law or public policy or when the employee files a claim or otherwise exercises the employee's constitutional rights; and breach of the employment contract. Most policies provide coverage for breach of an implied contract, but a few also provide coverage for breach of written employment contracts. This typically is addressed as a wrongful termination claim for breaches of promises of employee benefits or job security.

- Third party liability for harassment or discrimination. Examples would be claims by vendors, customers, clients, and other third parties. Some policies may limit such coverage to specific categories of third parties, while other policies may extend it to any third party with a harassment and/or discrimination claim against the insured.

ASCIP's Workers' Compensation Memorandum of Understanding (WC MOU) offers members the opportunity to purchase first dollar coverage or coverage with a self-insured retention (SIR) of $150,000, $250,000, or $350,000. ASCIP's coverage form includes employer's liability with limits of $1 million per accident, employee, and policy period.

7. **Public Officials' Errors and Omissions Insurance.** Public officials errors and omissions policies cover a public entity's liability for actions or decisions claimed to have caused financial losses, the violation of civil rights, as well as legal fees incurred in the defense of an official for an entity. Liability arising from decisions regarding zoning, land use, business and building permits, and other government functions can

also be covered. Law enforcement activity can be covered by a public officials errors and omission policy but can also be written as a separately.

ASCIP's General and Automobile Liability Memorandum of Understanding (WC MOU) offers members the opportunity to purchase public officials' errors and omissions liability (Part C).

8. **Environmental Liability Insurance.** Environmental impairment liability insurance protects the public entity from liabilities related to pollution. This type of policy is used when a public entity is operating a transportation facility, a public utility, or is engaging in brownfields' redevelopment. Pollution-related claims are usually excluded by commercial general liability insurance policies, errors and omissions insurance policies, and other types of liability policies.

   A public entity can also contractually transfer the burden of obtaining environmental liability insurance to a project developer. A developer that deals in a large number of brownfields' redevelopment projects may be able to obtain better rates and coverage based on its volume of business. A public entity may also be able to contractually transfer the environmental liability insurance obligation to a third party operator of its gas, water, or other utility operations.

9. **Owner Controlled Insurance Programs.** An owner controlled insurance program (OCIP) can be an effective way for a public entity owner to control and safety, coverage and premiums on a large construction project. Owner controlled insurance programs are typically used for construction projects in excess of five million dollars.

   ASCIP offers an OCIP program "pool" for all construction project participants - the member, its general contractor and subcontractors – under the same insurance "umbrella" for workers' compensation, general liability and pollution coverage. In addition to providing standard coverage and high limits with a financially secure carrier, the program offers safety and risk management features that benefit all project participants.

   While cost savings are always the focus of an OCIP, the following features are significant program enhancements:

- Highlights job site safety for students, staff, public and construction workforce
- Provides broad insurance coverage and high dedicated limits
- Assists in completing projects on-time without costly delays
- Provides insurance fraud prevention through verification of enrolled subcontractors’ certificates of insurance
- Encourages small and local business participation
- Supports project labor compliance efforts
- Reduces the potential for cross-litigation
- Cost savings

Insurance Company Security

To meet your District's general financial responsibility requirements, all insurers, either primary insurers of the district or agency or insurers utilized by third parties in fulfillment of their contractual obligations with your entity, must meet certain financial security criteria. For example, typical standards might require that the insurer be either:

- Non-admitted and authorized to transact business in the domicile state of the public entity with a minimum, current financial responsibility rating of A (Excellent) or better and current capital surplus and conditional surplus funds of greater than $100 million as reported by one of the major rating agencies (e.g., A.M. Best Company, Standard & Poor's, Moody's) or equivalent (many states maintain a current list of eligible surplus lines insurers), or
- Admitted in the domicile state of the public entity with a current financial responsibility rating of A (Excellent) or better and current capital surplus and conditional surplus funds of greater than $10 million as reported by one of the major rating agencies (e.g., A.M. Best Company, Standard & Poor's, Moody's) or equivalent.

Exceptions to such requirements can usually only be granted by the public entity's risk manager, and exceptions are usually granted only for insurers who underwrite unusual or exceptional risks.

As a rule, bonds must be issued by a surety company currently licensed to write surety bonds in California and, and currently listed in the U.S. Department of the Treasury's (Treasury) Listing of Approved Sureties (Treasury Department Circular 570 is maintained at https://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/c570.htm).

Self-Insurer Security

In some cases, self-insurance can be utilized to meet a public entity's general financial responsibility requirements. Self-insurance by the local public entity itself, by states and their departments, and by the federal government and its branches are often deemed acceptable. Self-insurance by certain other public entities, corporations, or other entities may be acceptable subject to the local public entity's requirements or as granted by the public entity's risk manager. Usually, any self-insurance program or self-insured retention must be approved separately in writing by the local public entity's risk manager and must protect the local public entity, its departments, their boards, officials, employees, and agents in the same manner and to the same extent as they would have been protected had the policy or policies not contained any self-insurance or self-insured retention provisions.

ATTACHMENT 6-PREPARING FOR DISASTERS

District preparation for disasters may include purchasing of earthquake insurance or difference in conditions (DIC) insurance as a financial hedge against the costs of the event. However, there is recognition that disasters come in many forms, can occur anywhere at any time, and vary from such natural causes as earthquakes, fires, floods, and severe storms to man-made causes such as an active shooter and chemical spills. Knowing how to react and respond in a time of crisis is the most important element of preparing for disasters and can go a long way to keeping Districts out of harm's way.

Preparedness Programs and Resources

Each school day, Districts are entrusted to provide safe and healthy learning environments for approximately 55 million elementary and secondary school students nationwide in public and nonpublic schools. Families and communities expect schools to keep our children and youths safe from threats and hazards. In collaboration with their local government and community partners, schools can take steps to plan for these potential emergencies through the creation of a school Emergency Operations Plan. Below are programs and resources that assist school administrations in developing their emergency plans.

Cal OES School Emergency Response. - Cal OES has developed guidelines to help Districts develop emergency plans that comply with the California Standardized Emergency Management System (SEMS) and organize their emergency response procedures.

Crisis Response Box Program: This program is a joint effort of the California Attorney General's Crime and Violence Prevention Center and the California Department of Education's Safe Schools and Violence Prevention Office. This guide is designed to help every school assemble the tools and resources needed for a critical incident response at a school.

FEMA Sample Childcare Emergency Action Plan: This FEMA document provides a sample child care emergency action plan. This plan is for training purposes only and will need to be tailored to the specific hazards and needs of your site and community.

Readiness and Emergency Management for Schools (REMS) Technical Center: On June 18, 2013, the White House released guides for developing high-quality emergency operations plans for schools and institutions of higher education. These guides align and build upon years of emergency planning work by the Federal government and are the first joint product of DHS, DOJ, ED and HHS on this critical topic. Use this guide to create new plans as well as to revise and update existing plans and align their emergency planning practices with those at the national, state, and local levels.

FEMA's Emergency Management Institute (EMI) and Independent Study (IS) Courses: EMI offers school officials courses supporting the implementation of the National Incident Management System (NIMS) as well as general courses aimed at building school emergency management capacity. The EMI School Program website details required courses for individuals or organizations to be considered NIMS compliant as well as additional recommended courses for independent study and a 4-day, no cost, course for school district teams on the EMI campus in Emmetsburg, Maryland. Additionally the EMI Emergency Management Higher Education Program website promotes college-based emergency management education for future emergency managers and other interested personnel.