

## OHLONE COMMUNITY COLLEGE DISTRICT

## MEMORANDUM

TO: Board of Trustees

FROM: Douglas Treadway

DATE: November 14, 2007

SUBJECT: Resolution No. 9/07-08 Withdrawal from Schools Excess Liability Fund JPA

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The Ohlone Community College District has been a member of the Schools Excess Liability Fund (SELF) since the inception of the program in 1986. SELF has been largely the only option available for securing Excess Liability insurance coverage above \$1,000,000. However, in 2000, our District decided that it was in our best interest to discontinue purchasing the entirety of our excess coverage from SELF. Along with other community colleges, SJECCD began purchasing the coverage layer from \$1,000,000 - \$5,000,000 from the Statewide Association of Community Colleges (SWACC), the organization that also provides the district's primary Property & Liability coverage. The reason for this decision was that SWACC was able to provide this layer of coverage at a cost that was more competitive than the SELF JPA and because the coverage was closely aligned with our own coverage below \$1,000,000. However, the District continued to purchase from SELF the layer of coverage from \$5,000,000 - \$20,000,000 because it was the only available option at a reasonable cost.

Over the course of the last thirty months, the Board of Directors of SWACC has been conducting a review of SELF's financial position. In that evaluation, it has been determined that the SELF JPA has numerous issues that it must deal with in order to meet the needs of its membership in California. Specifically, very serious questions and concerns have been raised about SELF's ability to perform its primary excess insurance function:

- Net assets have steadily decreased between 6/30/04 and 6/30/06. The decrease in net assets has been approximately 88%.
- The SELF JPA has a steady operating loss over the course of the last three years.
- Concern about the status of SELF's Workers' Compensation Excess Program and the impact the deficit in that program might have on the Excess Liability program.
- Reportable conditions noted by external auditors regarding the failure to follow internal controls, significant reduction in net assets, significant increases in unpaid claims, and liquidity concerns.

- Coverage gaps as a result of inconsistencies in coverage documents that could result in significant uninsured losses to the district.
- The expiration of its finite risk program effective 6/30/08 and no indication of what will replace the current program.

It was the opinion of the SWACC Board in 2006 that SELF was not expeditiously resolving the issues identified. At that time we decided to monitor the situation for another year. There does not appear to have been significant improvement in the issues identified above and SWACC is recommending that each District issue a notice of withdrawal to SELF. The By-Laws of the SELF JPA require that this Notice of Withdrawal be approved and filed with them no later than December 31, 2007. This action will allow us to evaluate options and make the best fiscal decision for the Ohlone Community College District. In 2006, the SWACC JPA identified the SAFER JPA as an option to the SELF JPA for Community Colleges and that option is once again available this year. Coincidentally, we are already a member of the SAFER JPA for our liability coverage from \$1,000,000-\$5,000,000.

#### RECOMMENDATION

The President/Superintendent recommends approval of Resolution #9/07-08 to declare withdrawal of the District's membership in the Schools Excess Liability Fund JPA.

Attachments:  
Resolution No. 09/07-08

**OHLONE COMMUNITY COLLEGE DISTRICT  
RESOLUTION NO. 9/07-08**

**RESOLUTION OF THE GOVERNING BOARD OF THE  
OHLONE COMMUNITY COLLEGE DISTRICT  
FOR WITHDRAWAL OF MEMBERSHIP IN THE  
SCHOOLS EXCESS LIABILITY FUND JPA**

**WHEREAS**, Ohlone Community College District has determined that there is a need for a fiscally stable source of excess liability coverage to protect it against unforeseen liability claims; and

**WHEREAS**, the district presently has \$5,000,000 in liability limits through its membership in the Statewide Association of Community Colleges Joint Powers Authority; and

**WHEREAS**, for the district to be able to transition its Excess Liability Coverage to another JPA, it must give notice of withdrawal to the Schools Excess Liability Fund Joint Powers Authority by December 31, 2007;

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Trustees of Ohlone Community College District notifies the Schools Excess Liability Fund Joint Powers Authority of its intent to withdraw from that Joint Powers Authority effective July 1, 2008.

**PASSED AND ADOPTED** by the Ohlone Community College District Board of Trustees on this fourteenth day of November, 2007, by the following vote:

AYES:  
NOES:  
ABSENT:

**STATE OF CALIFORNIA, COUNTY OF ALAMEDA**

I, Douglas Treadway, Secretary of the Ohlone Community College District Board of Trustees, do hereby certify that the foregoing is a full, true, and correct copy of a resolution adopted by the Board of Trustees at a regularly called and conducted meeting held on said date.

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Secretary of Board of Trustees