



SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY EXECUTIVE COMMITTEE TELECONFERENCE AGENDA

DATE / TIME: June 2, 2016 at 1:30 p.m.

This meeting agenda shall be posted at the address of the teleconference locations shown below with access for public via phone.

Campbell Union School District
155 N. Third Street
Campbell, CA 95008

Berryessa Union School District
1376 Piedmont Rd
San Jose, CA 95132

Evergreen School District
3188 Quimby Road
San Jose, CA 95148

Santa Clara County Office of Education
1290 Ridder Park Drive
San Jose, CA 95131

Alliant Insurance Services
2180 Harvard St, Suite 460
Sacramento, CA 95815

Santa Clara Unified School District
1889 Lawrence Rd
Santa Clara, CA 95051

A – Action I – Information 1 – Included 2 - Hand Out 3 – Separate 4 - Verbal

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 Joan Crossley at Alliant Insurance Services, Inc. at (916) 643-2708.

Documents and material relating to an open session agenda item that are provided to the SBASIA Executive Committee less than 72 hours prior to a regular meeting will be available for public inspection and copying at 2180 Harvard St, Suite 460, Sacramento, CA 95815.



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A. CALL TO ORDER

B. ROLL CALL **A 4**

C. APPROVAL OF AGENDA **A 1**

D. PUBLIC COMMENT

This time is reserved for members of the public to address the Executive Committee on matters of the SBASIA Executive Committee business.

E. FINANCIAL

1. Crime Insurance Options
Staff will present an optional quote for higher Crime insurance limits. **A 1**
1-6

2. Cyber Liability Enhancement Option
Staff will present an optional quote for a Cyber Liability Enhancement Option. **A 1**
7-12

F. COMMENTS FOR THE GOOD OF THE ORDER

ADJOURNMENT

The next Executive Committee meeting is set for June 16, 2016 at 9:00 a.m. The Location will be at Campbell Union School District, 155 N. Third Street, Campbell, CA 95008.



Agenda Item E.1

CRIME INSURANCE OPTIONS

ACTION ITEM

ISSUE: The Executive Committee should decide whether to increase the Crime insurance limit.

RECOMMENDATION: None.

FISCAL IMPACT: To be determined.

BACKGROUND: The JPA currently has a \$1 million per occurrence limit for Crime insurance. Recently the City of Placentia had a \$4.8 million embezzlement loss. In light of that loss, staff obtained a quote for higher Crime insurance limits for the JPA.

ATTACHMENTS: Examples of Large Public Entity Crime Losses
Crime Insurance Proposal

Examples of Large Public Entity Crime Losses

Entity	Amount	Description
City of Pasadena	\$6 million	Public Works official used false invoices to direct \$6.4M of funds to personal accounts, funds were supposed to be used for placing utilities underground
City of Placentia	\$4.8 million	Finance Analyst with access to wire transfers allegedly transferred money to personal accounts and forged documents to hide transactions.
Los Angeles Unified School District	\$9 million	Procurement official conspired with plumbing supplier to divert materials over several years
City of Santa Barbara	\$750,000	Police Department clerk diverted cash payments for tickets
San Jose State University	\$900,000	IT employee removed equipment and sold on eBay
Association of Bay Area Governments	\$1.3 million	CFO falsified payments to a contractor and diverted them to personal use
Port of Seattle	\$300,000	Airport badging clerk continued to accept cash payments for several years after the Port had discontinued acceptance and diverted proceeds
City of Bell	\$5.5 million	Seven Bell city officials, including the former mayor, four city council members, former city administrator, and assistant city administrator were convicted on conspiracy, misappropriation of public funds, and falsification of public records that nearly bankrupted the city.
City of Dixon, Illinois	\$30 million	The Comptroller of this small Illinois city was arrested for misappropriating city funds over six years. She allegedly moved funds from the various bank accounts through a series of wire transfers and checks payable to "Treasurer".

**ALLIANT CRIME INSURANCE PROGRAM
2016-2017 INSURANCE PROPOSAL
SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY**

INSURER:	National Union Fire Insurance Company of Pittsburgh, PA (Chartis)
*A.M. BEST'S GUIDE RATING: <i>(VERIFIED APRIL 2016)</i>	A, Excellent; Financial Size Category 15; Greater than \$2,000,000,000
*STANDARD & POOR'S RATING: <i>(VERIFIED APRIL 2016)</i>	A+, Strong Financial Security
STATE STATUS:	Admitted
POLICY PERIOD:	July 1, 2016 to July 1, 2017
COVERAGE:	<p>Government Crime Policy on Discovery form including the following coverages:</p> <ul style="list-style-type: none">➤ Employee Theft – Per Loss Coverage➤ Forgery or Alteration➤ 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
EXCLUSIONS (Including but not limited to):	<ul style="list-style-type: none">• Unauthorized disclosure of confidential information• Governmental Action• Indirect Loss• 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

ENDORSEMENTS:

- State Changes
- Additional Named Insured – Endorsement identifies individual member limit and deductible
- Omnibus Named Insured – Coverage extended to all Agencies, Authorities and Districts (including Special Districts) which are governed directly by the governing body of the Named Insured
- Add Faithful Performance of Duty Coverage for Government Employees –
- Revision of Discovery and Prior Theft or Dishonesty \$25,000 Sub-Limit
- Cancellation of Policy Amended – 120 Days
- Bonded Employees Exclusion Deleted endorsement
- Add Credit, Debit or Charge Card Forgery
- Include Volunteer Workers as Employees
- Include Specified Non-Compensated Officers As Employees - ALL
- Include Chairperson and Members of Specified Committees and - ALL
- Include Designated Persons or Classes of Persons as Employees – Any Director or Trustees and any Board Members and any Elected or Appointed Officials as Employees of any of those named as insured
- 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)
- Vendor Theft - \$1,000,000 Limit excess of vendor insurance policy required by contract. If vendor policy is not valid or collectible, this sublimit applies to loss excess of \$500,000. Coverage not applicable if crime insurance is not required in a written agreement
- Conditions Amended - Subrogation of Faithful Performance of Duty Claims - With respect to losses resulting from the failure of any employee to faithfully perform his or her duties as prescribed by law, the company may subrogate only due to actual fraud, corruption, actual malice, or where the employee or a person or entity was unjustly enriched
- Third Party Coverage - \$250,000 Sublimit with \$25,000 Deductible
- Blanket Joint Loss Payable

ENDORSEMENTS (continued):

- CalWorks Employees - Amending the definition of "Employee" to include coverage for individuals that are subject to the Insured's direction and control while performing services for the Insured as a result of an employment contract or agreement with the State of California "Cal Works Program" or any similar state or county work or welfare program.
- Impersonation Fraud Coverage - Adding coverage under the Funds Transfer Fraud insuring agreement for loss of funds resulting from the receipt of a fraudulent phone call or email from a purported vendor, which advises you that the vendor's bank account information has been changed and you suffer a loss of funds because you issued payment to this fraudulent bank account. This coverage is subject to a \$250,000 sublimit with a \$25,000 deductible. – Increase from \$200,000
- Retro Date Endorsement – If higher limits are chosen

LIMIT OPTIONS :

- 1)\$1,000,000 (EXPIRING)
- 2)\$3,000,000
- 3)\$5,000,000
- 4)\$10,000,000

DEDUCTIBLE :

\$5,000

PREMIUM OPTIONS:

- 1)\$13,995 (\$12,958 Expiring)
- 2)\$29,800
- 3)\$39,840
- 4)\$63,077

CLAIMS REPORTING PROCEDURE:

AIG
Financial Lines Claims
P.O. Box 25947
Shawnee Mission, KS 66225
Phone: 888-602-5246
Fax: 866-227-1750
Email: c-claim@aig.com

Also Please forward a copy of the loss to:

Alliant Insurance Services, Inc.
Attn: Robert Frey
100 Pine Street, 11th Floor
San Francisco, CA 94111
Phone: 415-403-1400
Fax: 415-403-1466

DATE PREPARED:

5/4/16

QUOTE VALID UNTIL:

7/1/16

BROKER:

**ALLIANT INSURANCE SERVICES, INC.
NEWPORT BEACH, CALIFORNIA**

Tom E. Corbett
Senior Vice President

Lisa Meisner
Account Manager

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.



Agenda Item E.2

CYBER LIABILITY ENHANCEMENT OPTION

ACTION ITEM

ISSUE: The Executive Committee should decide whether to purchase the Cyber Liability Enhancement Option.

RECOMMENDATION: None.

FISCAL IMPACT: To be determined.

BACKGROUND: The JPA's Property policy includes Cyber Liability coverage. Currently, the policy has a \$2 million annual aggregate limit for each JPA member with a sublimit of \$500,000 annual aggregate for Privacy Notification costs; this increases to \$1 million limit if a Beazley vendor is used (Beazley administers the Cyber coverage). A Cyber Liability coverage enhancement is available and provides two options:

- Option 1 would replace the Privacy Notification costs monetary limit with a per person limit. The per person limit is outside the policy's current dollar limits so that notification costs do not erode the Cyber policy limits. The per person limit provides an unlimited dollar amount for notification services subject to the number of notified individuals that is selected. The additional premium is based on the JPA's annual revenue or operating budget and the number of notified individuals that would be covered.
- Option 2 is available only if Option 1 has been purchased. Option 2 provides Excess Cyber Liability limits up to \$5 million.

Staff will present a quote for the Cyber Liability Enhancement Option.

ATTACHMENTS: Cyber Enhancement Option Chart
Cyber Enhancement Option Quote
Cyber Enhancement Option Cost by Member

APIP CEO Coverage – Option #1

Two Towers of Coverage

LIABILITY SUITS, FINES & PENALTIES

\$2,000,000

- ☐ Regulatory Defense & Penalties
- ☒ ~~Privacy Notification~~
- ☐ Website Media Content Liability
- ☐ Cyber Extortion
- ☐ Data Protection / BI

\$100,000 (sublimit)

- ☐ PCI Fines and Penalties

Deductibles

1. TIV up to \$500M
 - **\$50,000**
2. TIV greater than \$500M
 - **\$100,000**

TOWER I

Current APIP Coverage
\$2,000,000 Per Member Limit
\$25,000,000 Program Aggregate

BREACH RESPONSE

Limits based on Notified Individuals

- ☐ Notification – dependent upon Notified Individual's declared
 - 50K, 100K, 250K, 500K, 1M, 2M+
- ☐ Credit/Identity Monitoring & Call Center Services per N.I.'s

\$250,000 - \$1M*

- ☐ Legal, Computer Forensics, Crisis Management/PR firm

Deductibles

1. Computer Forensics, Crisis Management/PR
 - *\$10,000 - \$40,000
 - Legal - \$5,000
2. Notified Individuals – From 50 to 250 (sliding scale)

TOWER II – dedicated limits

Cyber Enhancement Option

** Depending on annual revenue or operating budget*

Alliant

APIP CEO Option #2

PCI Fines & Penalties Sublimit Matrix



Primary	XS Limits	Primary PCI Sublimit	XS PCI Sublimit
\$2,000,000	\$1,000,000	\$100,000	\$100,000
	\$2,000,000		\$200,000
	\$3,000,000		\$300,000
	\$4,000,000		\$400,000
	\$5,000,000		\$400,000

CYBER LIABILITY ENHANCEMENT OPTION QUOTE

APIP Cyber Enhancement Option #1 Privacy Notification Costs

Includes notification services, call center services, credit & identity monitoring and Beazley Breach Response Services.

ANNUAL PREMIUM:

Option 1: 50,000 Individuals

\$ 40,000.00	(Annual Premium)
\$ 80.00	(CA Stamping Fee - .2%)
\$ 1,200.00	(CA Surplus Lines Tax – 3%)
\$ 41,280.00	(Total Cost)

Option 2: 100,000 Individuals

\$ 45,000.00	(Annual Premium)
\$ 90.00	(CA Stamping Fee - .2%)
\$ 1,350.00	(CA Surplus Lines Tax – 3%)
\$ 46,440.00	(Total Cost)

Option 3: 250,000 Individuals

\$ 50,000.00	(Annual Premium)
\$ 100.00	(CA Stamping Fee - .2%)
\$ 1,500.00	(CA Surplus Lines Tax – 3%)
\$ 51,600.00	(Total Cost)

Option 4: 500,000 Individuals

\$ 80,000.00	(Annual Premium)
\$ 160.00	(CA Stamping Fee - .2%)
\$ 2,400.00	(CA Surplus Lines Tax – 3%)
\$ 82,560.00	(Total Cost)

Option 5: 1,000,000 Individuals

\$125,000.00	(Annual Premium)
\$ 250.00	(CA Stamping Fee - .2%)
\$ 3,750.00	(CA Surplus Lines Tax – 3%)
\$129,000.00	(Total Cost)

Option 6: 2,000,000 Individuals

\$175,000.00	(Annual Premium)
\$ 350.00	(CA Stamping Fee - .2%)
\$ 5,250.00	(CA Surplus Lines Tax – 3%)
\$180,600.00	(Total Cost)

Option 7: 3,000,000 Individuals

\$325,000.00	(Annual Premium)
\$ 650.00	(CA Stamping Fee - .2%)
\$ 9,750.00	(CA Surplus Lines Tax – 3%)
\$335,400.00	(Total Cost)

BINDING CONDITIONS:

- Further information regarding mitigating controls/securities in place for portable devices – applies to: Evergreen School District, Milpitas Unified School District, Santa Clara County Office of Education, Santa Clara Unified School District

APIP Cyber Enhancement Option #2 – Excess Cyber Liability Limits
Must purchase Option 1 in order to get Option 2

ANNUAL PREMIUM:

Option 1: \$1,000,000 Excess Limit	\$ 32,270.00	(Annual Premium)
	\$ 968.10	(CA Surplus Lines Tax – 3%)
	\$ 64.54	(CA Stamping Fee - .2%)
Retention: \$100,000 each claim including claim expenses	\$ 33,302.64	(Total Cost)
Option 2: \$2,000,000 Excess Limit	\$ 41,950.00	(Annual Premium)
	\$ 1,258.50	(CA Surplus Lines Tax – 3%)
	\$ 83.90	(CA Stamping Fee - .2%)
Retention: \$100,000 each claim including claim expenses	\$ 43,292.40	(Total Cost)
Option 3: \$3,000,000 Excess Limit	\$ 50,350.00	(Annual Premium)
	\$ 1,510.50	(CA Surplus Lines Tax – 3%)
	\$ 100.70	(CA Stamping Fee - .2%)
Retention: \$100,000 each claim including claim expenses	\$ 51,961.20	(Total Cost)
Option 4: \$4,000,000 Excess Limit	\$ 57,765.00	(Annual Premium)
	\$ 1,732.95	(CA Surplus Lines Tax – 3%)
	\$ 115.53	(CA Stamping Fee - .2%)
Retention: \$100,000 each claim including claim expenses	\$ 59,613.48	(Total Cost)
Option 5: \$5,000,000 Excess Limit	\$ 64,875.00	(Annual Premium)
	\$ 1,946.25	(CA Surplus Lines Tax – 3%)
	\$ 129.75	(CA Stamping Fee - .2%)
Retention: \$100,000 each claim including claim expenses	\$ 66,951.00	(Total Cost)

BINDING CONDITIONS:

- **Further information regarding mitigating controls/securities in place for portable devices – applies to: Evergreen School District, Milpitas Unified School District, Santa Clara County Office of Education, Santa Clara Unified School District**

16-17 CYBER ENHANCEMENT OPTIONS

Member	Privacy Notification Costs 50,000 Individuals	Excess Limit \$1 million	Total Cost	Privacy Notification Costs 100,000 Individuals	Excess Limit \$2 million	Total Cost
Berryessa USD	\$3,282.17	\$2,647.90	\$5,930.07	\$3,692.44	\$3,442.17	\$7,134.61
Campbell USD	\$4,107.77	\$3,313.95	\$7,421.72	\$4,621.24	\$4,308.03	\$8,929.27
Evergreen SD	\$4,987.45	\$4,023.62	\$9,011.07	\$5,610.88	\$5,230.59	\$10,841.47
Lakeside JSD	\$90.40	\$72.93	\$163.33	\$101.70	\$94.81	\$196.51
Los Altos SD	\$2,070.19	\$1,670.13	\$3,740.32	\$2,328.97	\$2,171.11	\$4,500.08
Los Gatos-Saratoga JUHSD	\$2,795.07	\$2,254.92	\$5,049.99	\$3,144.45	\$2,931.33	\$6,075.78
Metro Ed	\$1,161.21	\$936.80	\$2,098.01	\$1,306.36	\$1,217.82	\$2,524.18
Milpitas USD	\$5,380.02	\$4,340.33	\$9,720.35	\$6,052.53	\$5,642.30	\$11,694.83
Mtn View-Los Altos UHSD	\$2,631.60	\$2,123.04	\$4,754.64	\$2,960.55	\$2,759.89	\$5,720.44
Mtn View Whisman SD	\$2,566.79	\$2,070.76	\$4,637.55	\$2,887.64	\$2,691.92	\$5,579.56
Santa Clara County Office of Ed	\$2,466.07	\$1,989.50	\$4,455.57	\$2,774.33	\$2,586.29	\$5,360.62
Santa Clara USD	\$9,741.25	\$7,858.76	\$17,600.01	\$10,958.91	\$10,216.14	\$21,175.05
Total	\$41,280	\$33,302.64	\$74,582.63	\$46,440	\$43,292.40	\$89,732.40

Other Options are available and we can discuss at teleconference. There are too many combinations of options to include in the spreadsheet.