

**PACE 2007-08
ANNUAL REPORT**

We're setting the pace in coverage for Oregon schools



PACE



Property and Casualty Coverage for Education

Oregon School Boards Association in cooperation with Special Districts Association of Oregon

PACE



Property and Casualty Coverage for Education

STRENGTH • VALUE • SERVICE

No one can match the expertise and experience that SDAO and OSBA bring to property/casualty insurance.

Times are challenging. Insurance coverage doesn't have to be. At PACE, we work hard to make insurance easy for our members.

We help members reduce risk and cut costs while improving safety every day.

We provide loss-prevention services and training sessions, and we anticipate members' needs around the state through personalized programs.

PACE is member-owned – focused on providing stable rates and services that members need.

The PACE Trust had another successful year for 2007-08. Contributions to the pooled program remain strong at \$19.6 million. Total assets increased 56 percent while net assets (unrestricted assets) increased 3.3 percent. This level of unrestricted assets puts the pooled program over the 95 percent confidence level.

A brief financial summary is on the back page, or you can review the complete PACE 2007-08 audit report on pace.osba.org, "About Us."

A Conversation with Frank Stratton



Frank Stratton is the insurance services program manager for PACE property/casualty insurance pool.

Q: How is PACE helping Oregon school districts in this time of economic crisis?

A: PACE has been able to reduce rates each year since its inception in 2006, saving its members hundreds of thousands of dollars. At the same time, coverage and service has expanded to take into account new exposures that members face.

PACE is the largest property and liability risk pool of school entities in Oregon, and it's a member-owned program whose board of directors consists of business managers, superintendents, and local district board members. So PACE is very conscious of the needs of our members during these difficult economic times.

Q: New tort-claim caps in Oregon's public liability law have made news recently. How will PACE members be affected?

A: Oregon School Boards Association, Special Districts Association of Oregon and League of Oregon Cities worked together in a coalition to make sure that local governments could get the best deal possible from the new public-liability law that increased the Oregon tort-claim caps.

Next year, caps will increase from \$200,000 per occurrence to \$500,000 per occurrence, and, while this is a significant increase, it is still well below the caps that now apply to Oregon Health & Sciences University and the State of Oregon. Historically, most PACE claims are well below \$500,000, so we don't anticipate dramatic rate implications in the near term. As more lawsuits are filed, the financial pressure is likely to escalate, which could lead to higher liability rates in the future.

Q: Has PACE been successful in meeting members' needs over the past year?

A: Our nearly 100 percent member-retention rate last year shows that members' needs are being satisfied. We lost only one member school district last year and gained three charter schools.

The ability of PACE to obtain \$10 million of liability coverage for all members in reaction to the *Clark v. OHSU* decision by setting new caps for public liability was a major reason for this success.

PACE exists solely for entities that are in the business of education. No other insurance company offers the pre-loss legal services, grant programs, occurrence-based liability coverage for all lines, and the additional defense coverage that PACE does.

Q: How does the PACE occurrence-based liability coverage differ from claims-made coverage offered by other insurance providers?

A: PACE covers anything that happens during the term of the policy, regardless of when it is reported – even decades later. That is what ‘occurrence-based’ coverage is. Most other insurance providers only offer claims-made coverage, which means you are only covered for claims reported during the one-year term of the policy.

Claims-made coverage is a ‘loss-leader’ approach to insurance, designed to increase yearly as claims are reported. Although the initial cost may be low, it will never be cheaper than occurrence-based coverage because the price increases yearly, leveling off at the occurrence-based level.

Q: Can members expect that premiums will remain stable?

A: Our goal for the upcoming year is to keep rates stable, even with the current economic situation. However, reinsurance rates continue to climb worldwide, which will impact PACE’s ability to hold rates constant in the future.

We continue to seek out reinsurers that can offer PACE the best and most affordable coverage. We do everything we can to keep pricing affordable for our members.

Q: What trends do you see in PACE members’ insurance needs?

A: One concerning trend intensified by current economic conditions is the deteriorating financial ability of our members to maintain their property. Oregon has many old school buildings that need repair and updating. Deteriorating properties increase losses for PACE and have the potential to lead to higher property insurance rates in the future.

PACE’s Loss-Control Program

When PACE began, PACE loss-control consultants set out to visit every member district, a goal whose achievement meant districts got time with consultants as well as access to a wide range of education-related risk-management experience, increasing both safety and savings.

Over the past nine months, five PACE loss-control consultants have conducted risk assessments and trainings at 77 Oregon member locations. They’ve provided hands-on, on-site services, including full facility audits and safety reviews.

Training from PACE loss-control consultants helps members manage all kinds of risk – from that associated with playground supervision to defensive driving to CPR and first aid. Consultants can demonstrate the use of fire extinguishers, make ergonomic adjustments to equipment and explain athletic and PTA/PTO liability issues.

If an issue arises that PACE loss-control staff members are unfamiliar with, they will seek out training and return to train PACE members.

“The staff is wonderful,” said Karen Selander, risk manager of the Corvallis School District, where PACE presented a confined-space training recently. “They are very helpful and professional, and they bring the training down to a level that is easy to understand.”

Woodburn School District likes the resources PACE provides. Woodburn got accident investigation and hazard identification training from PACE in which district safety committee chairs participated, taking away DVDs they can use to train their own school safety committees.

Members also save hundreds of dollars a year with criminal-history background checks and drug- and alcohol-testing available through PACE. Members can order nationwide criminal background checks online and get results within 24 hours. PACE pays for enrollment and five background checks a year. PACE also pays for five drug and alcohol tests a year.

Loss-control services

- Physical inspection of facilities, with detailed safety recommendations
- Playground safety reviews
- Specialized safety checklists on a wide variety of potential hazards
- OR-OSHA compliance reviews
- Specialized training of a wide range of topics

PACE loss-control staff

Scott Neufeld, loss-control manager
Aubrey Sakaguchi, loss-control consultant
Bob Ringering, loss-control specialist
Greg Jackson, loss-control consultant
Jeremy Wade, loss-control consultant
Troy DeYoung, loss-control consultant

To reach a loss-control consultant, call 503-371-8667 or 800-285-5461.

Training & consultation services

- Discrimination in hiring practices
- Performance appraisals
- Employee discipline
- Oregon Family Leave Act
- Americans with Disabilities Act
- Crisis communication
- Sexual harassment
- Homeland security in Oregon
- Oregon Government Ethics Commission
- Oregon Public Records & Meetings Law
- Drug-free workplace and background investigations
- Conducting safety inspections
- Conducting internal investigations
- Employment law
- BOLI reporting requirements
- Conflict resolution
- Arson awareness and prevention
- Contract administration
- 20 things supervisors do to get sued

PACE consultants rely on national experts and actual claims experience to regularly update training programs. Training sessions are available regionally and on-site, and many are offered at little or no charge.

Risky business

PACE identifies 'Top 10' risks and tells you how to minimize them

1. PLAYGROUND SUPERVISION

A minimum of two supervisors/monitors should be on duty any time students use the playground during school hours. If your playground is configured so that views of the entire area are restricted, more monitors may be needed.

2. PLAYGROUND EQUIPMENT & FALL ZONES

The use/fall zone for stationary equipment should extend a minimum of six feet in all directions from the perimeter of the equipment, though more room is needed for swings. The fall zone should be covered with 6-12 inches of shock-absorbing material to prevent injuries from falls or hitting other equipment or playground users. Only equipment that meets Consumer Product Safety Commission Public Playground Guidelines should be installed on district property.

3. SHOP SUPERVISION

Student use of shop equipment and tools should be strictly limited to

when teachers are able to provide guidance and supervision. A district-authorized person should monitor all activities while students are in the shop. This helps reduce the risk of horseplay and the potential for serious injury.

4. SHOP TRAINING

Students need to be trained on each individual piece of shop equipment before using it. A written site-and-equipment specific safety curriculum should be in place and students should pass a safety exam (95 percent or better) before hands-on training on equipment.

5. SPORTING EQUIPMENT

All mats, guards, protective pads, court dimensions, etc., should meet athletic guidelines to help keep students safe while participating in sports.

6. CLASSROOM ANIMALS

Animals in classrooms can create a health hazard for the users of the room if they are not properly cared for. Animals kept in classrooms should be caged so that their droppings do not come into contact with work areas and students. A comprehensive hand-washing program should be implemented so that students wash their hands properly after any contact with the animals. If animals may be aggressive or unpredictable, student contact with them should be very limited and always supervised.

7. CHEMICAL STORAGE

Excessive supplies of chemicals should be disposed of to reduce the potential loss severity in case of a

spill, and to minimize the general hazards associated with the chemicals. Chemical supply cabinets should be kept locked at all times unless a teacher is present; this prevents theft and tampering by students or others. Stored chemicals should be inventoried to determine whether hazards exceed the educational value of a chemical. Before purchasing chemicals, review NIOSH Safe Lab School Chemistry Laboratory Safety Guide.

8. DISTRICT BLEACHERS

Bleachers need to be inspected at least quarterly by district staff to identify structural damage or degradation that could compromise safety. Biennial inspections should be performed by a professional engineer, registered architect or individual certified by the bleacher manufacturer, after which that expert should provide written certification that the bleachers are fit for use. Results of all inspections should be documented. Older bleachers should be retrofitted to meet CPSC guidelines, including handrails and toeboards.

9. CLIMBING WALLS

A documented monthly inspection should be performed on the climbing wall to ensure the wall and handholds are in good operating condition. The manufacturer should be consulted for any other recommended inspections and inspection checklists. Climb heights should be limited to no higher than 12 feet and there should be adequate fall protection below the wall.

10. ARSON PREVENTION

Large outdoor trash and recycling dumpsters should be relocated a minimum of 20 feet from any structure. Structures in unsupervised areas should have security lighting, surveillance or random security checks to help ensure that the contents won't be used as fuel by an arsonist.



Neufeld works for safety; honored by peers and State of Oregon

Scott Neufeld, PACE's loss-control manager through Special Districts Association of Oregon, was one of three safety professionals honored at the 2009 Oregon Governor's Occupational Safety and Health (GOSH) Conference in Portland in March for their contributions to occupational safety and health.

"Scott has made significant contributions to safety in Oregon," said Dori Brattain, OSBA deputy executive director and general counsel, "and PACE members have been the fortunate beneficiaries of his energy and ideas."

When Neufeld started with SDAO four years ago, he worked to build a new program from scratch, adding staff and developing diverse training. Today, Neufeld supervises five consultants and has turned the program into one of the best in the industry.

Neufeld and his team serve more than 1,000 special districts, school districts, and community colleges, ranging from tiny rural districts to some of the largest in the state.

The other two winners in the safety professional category were Al Arguedas formerly of Skanska USA, Beaverton, and Chris Miller, Associated General Contractors Oregon-Columbia Chapter.

Ten other leaders in safety and health



were honored with awards at the GOSH conference. A panel of industry professionals judged the awards, which honor extraordinary contributions to the field of workplace safety and health from employers, individuals and associations.

Neufeld recently presented a campaign developed in partnership with the Oregon Fire Marshal to prevent juvenile arson at the national Association of Government Risk Pools. The program has been extremely successful in educating school administrators about the danger signs and laws regarding teenaged fire setters.

About PACE

PACE has been serving Oregon public education since 2006 with proactive and cost-effective management of property and casualty risks.

PACE trustees are knowledgeable and experienced in public school risk and liability, and are dedicated to serving the special needs of Oregon's public school districts.

Board of Trustees

Tim Belanger, Business & Support Services Director, Oregon Trail School District

Allen Bunch, Risk Manager, Chemeketa Community College

David Horner, Director of Facilities & Operations, McMinnville School District

John Rexford, Assistant Superintendent, Bend-La Pine School District

Gary Richter, Risk Manager, North Clackamas School District

Craig Roessler, Superintendent, Silver Falls School District

Randy Tweten, Board Member, La Grande School District

Phil Wentz, Facilities Manager, Tigard-Tualatin School District

Courtney Wilton, Vice President, College Services, Clackamas Community College

Empty buildings? Call your agent.

As tightening budgets force tough choices, many districts are consolidating operations, leaving buildings vacant. Doing so can significantly change the district's needs regarding property and casualty coverage for the now-vacant building. Districts should be aware that failure to properly address this situation may create extra expense.

When an insurance agent evaluates the district's coverage needs for a particular building, they look at many factors. If the building is not in use, or

if there has been a change in how a building is used, the insurance agent must reevaluate what type and amount of coverage best meets the needs of the district. For example, a vacant building has greater exposure to vandalism but lower exposure to student injury.

In the event that you change the occupancy status of any covered structure, please notify your PACE agent immediately. He or she can recommend the best coverage options for your new situation.

Claims Service

From broken bones to fire, flood and lawsuits, PACE claims-management staff is there quickly to help members to the best of their abilities, whatever the circumstances.

"PACE claims staff are always very responsive, keeping the policy owner's interests in mind," said Doug Snyder, chief operations officer of the Redmond School District. "They're interested in saving us money, as well as saving PACE money. Claimants are responded to in a fair and timely way."

Have a question about an issue and not sure where to turn? "PACE claims adjusters will research your question and come up with some good answers to help you formulate your decision," Snyder said.

Claims staff members know Oregon and federal laws and are in tune with the special needs and issues of schools.

"PACE teams work with us to help us avoid having insurance claims," Snyder said.

Claims Management Services

- PACE responds within 24 hours on all claims
- PACE's friendly staffers speak your language – not "insurance-ese"
- Hands-on assistance at your site when a claim occurs
- Focus on resolving claims fairly
- Effort spent to find appropriate coverage level, not to avoid paying claims
- Experienced legal experts
- PACE has more experience handling school-district claims than any other insurance organization in the state.
- PACE consultants can be wherever they're needed at short notice because claims-management is handled right here in Oregon.

Partners in Prevention

Nearly 70 districts around the state shared about \$175,000 in matching funds (up to \$3,000 each) for safety-related projects.

The matching funds came from *Partners in Prevention*, a PACE program developed to help members fund projects that prevent claims from ever becoming necessary and – most important – to protect children, employees and visitors using school property.

New security cameras, purchased with the matching funds, help Butte Falls School District in Jackson County improve student safety inside and outside the high school. Deputy clerk Mary Graham said the grant's simple application process was "a definite plus."

"It was a one-pager! I wish all grant applications were so easy," she said.

Up on the Columbia Gorge, Hermiston School District has twice applied for and received safety grants.

"We'd had some bad falls in our district, so we had PACE come out and look over the situation," Brian Romeike, facilities director, said. "They made some recommendations, and we applied for the grants for fall protection for the playground and a parenting class at the high school."

South Wasco County School District split its grant between two projects, said Charlotte Hawkins, deputy clerk.

The district wanted to bring back a wood-shop program that was discontinued after a saw accident a few years ago. The purchase of a Saw Stop – a saw that won't cut human flesh – was key to reinstating the program. The district also needed three two-way radios to improve communication in their school buses. With \$3,000 in matching funds from PACE's Partners in Prevention program, the district was able to buy the new saw and the radios.

This was the second time that South Wasco County School District received a safety grant. The first grant was for video surveillance cameras for five school buses.

2007-08 Partners in Prevention assistance:

- **Background check grants** to help screen volunteers
- **Fall protection grants** to make playgrounds and rope-climb areas safer
- **Safety innovations grants** for locally developed programs that other districts can use
- **Secure guard grants** to protect against break-ins, fire, vandalism and violence
- **Traffic safety grants** to install road signs in school zones



Pre-Loss Legal Services

PACE attorneys put their experience and expertise into practice as they provide advice, defense and other services to some 225 PACE members.

PACE pre-loss legal services guide districts through difficult legal issues, and can often prevent expensive litigation. Staff attorney Rebekah Cook puts it simply: "If we can talk to people before things escalate, we can help avoid lawsuits."

Last year, PACE attorneys were called 470 times to provide pre-loss legal services to districts around the state. Incidents ranged from injuries at school to sexual discrimination and free speech issues. PACE members are entitled to up to \$1,000 worth of pre-loss legal consultation per incident at no cost. (After reaching the \$1,000 limit, members may continue to receive professional legal advice at a reduced member rate.)

The key to successful pre-loss legal services: Call as soon as you suspect there *could* be a problem.

The goal: Stopping potential lawsuits *before* they are filed.

Three issues top the list of 'Reasons to call for pre-loss legal services'. Those top issues for PACE members are employee termination, student accidents and acts of sexual misconduct in schools.

"We encourage members to call about employee terminations before they take any action, and there's an economic incentive to do so – we waive the \$5,000 deductible," said Cook. "Often when a termination occurs, there's the idea that this person needs to be out of there right now."

But giving the issue some careful thought always helps, Cook says. "You need to look at the whole situation. Is the performance issue well documented? Has the employee recently taken Family Medical Leave? That might complicate the termination process."

Student accidents and injuries occurring on school property place second in the 'top three' reasons to call for pre-loss legal advice.

"Call us right away after an accident to discuss how to minimize liability," Cook said. Staff attorneys can offer advice such as how to talk to an injured student's parents, and can suggest other strategies, such as having a safety team make changes to keep similar accidents from happening again.

A third common legal issue in schools is sexual misconduct. PACE attorneys assist in investigations and termination of involved employees, and they will work with law enforcement and district safety teams when needed.

PACE attorneys answer members' questions on many other issues – everything from churches wanting to distribute Sunday school information at

the local school to parents questioning differences between the girls' softball field and the boys' baseball diamond.

Pat Baldini, business manager for Klamath Falls City Schools, appreciates the assistance she receives from PACE attorney Morgan Smith. "He's been especially helpful when it comes to reviewing draft contracts and making recommendations," she said. "We've received excellent service in a very responsive manner."

Ron Cutter, vice president at insurance brokerage firm Beecher Carlson, agrees: "The PACE pre-loss legal service is an incredible benefit to PACE members. The attorneys are always professional, timely, responsive and available."

Remember: When in doubt, call for pre-loss legal services. Taking advantage of those services helps members reduce lawsuits that can be costly – measured in both time and money.

Reasons to use pre-loss legal services:

- Sexual harassment
- Employee discipline/dismissal
- Employee termination
- Discrimination
- Retaliation
- Defamation
- Americans with Disabilities Act
- Student due process complaints (i.e. expulsion hearings)
- School and violence threats
- Freedom of Speech
- Distribution of pamphlets by outside entities
- Individuals With Disabilities Education Act hearing
- Bureau of Labor & Industries and Equal Employment Opportunity Commission complaints
- Title IX compliance reviews
- Fair dismissal hearings
- Oregon Teacher Standards & Practices complaints

■ Training and seminars

PACE offers regional seminars throughout the year that cover topics such as risk, safety, policy and employment practices. On-site seminars designed specifically for your district, community college or ESD also can be arranged.

PACE pre-loss consultants

Dori Brattain, attorney
Rebekah Cook, attorney
Lisa Freiley, attorney
Jeff Heinrich, attorney
Steve Norman, attorney
Morgan Smith, attorney
Jessica Knieling, associate director,
 Labor, Legal and Employment
 Services

PACE responded to 2008 winter storms

When winter storms last year brought record storm damage to many areas of the state, PACE claims staff was hard at work, helping member districts dig out of mountains of snow and insurance claims.

Vernonia floods

In the Vernonia School District, the winter storms of 2008 were nothing compared to the flooding that pushed three to five feet of water into district schools the year before.

Vernonia Superintendent Ken Cox reported that flood adjusters were on the scene quickly, assessing about \$8 million in damages. PACE was very responsive, Cox said, helping the district get modular classrooms set up at the middle school and high school to get classes going again.

Last winter, Vernonia was hit again — this time by heavy snow sliding off a roof and tearing off gutters.

"PACE took care of our needs and worked hand in hand with the reinsurance company on our behalf," Cox said. He credits SDAO's Mike Hackbart with stretching and pulling out every bit of coverage so that the district received as much assistance as possible.

High winds hit Tillamook

In Tillamook, the school district's 50-year-old barrel-style auditorium roof was damaged in a December storm fierce enough to shear off all the telephone poles along the road on which the auditorium is located.

The damage wasn't discovered until months later, when a maintenance worker noticed a tiny indentation in the roof. He crawled up through two false ceilings in the auditorium to discover the ends of the roof trusses set in the cement walls broken off.

"PACE and Mike Hackbart were great to work with and knew right away what we were facing," he said. "Mike put us in contact with a reputable construction company that he said knew how to do the work we needed. 'How do I know this is a good company?' I asked myself."

"But I can say now that I've never worked with a better company than the one he found for us," said Schild, obviously appreciative of the PACE employee's knowledge and expertise.

It took from May to Thanksgiving to fully repair Tillamook's auditorium roof. Rot issues and other damages unrelated to the windstorm boosted the cost to \$1.4 million. PACE covered \$800,000 of it.

"I've got nothing but good results to report from here," said Schild, fully aware that a bad situation could have been much, much worse — as could have been the repair experience and the whole claims process.

Ice and snow damage

St. Helens School District is another district that had snow and ice damage last year. They lost gutters and metal from the roofs of district buildings.

PACE claims adjusters "responded quickly and reimbursed our losses very quickly," said Nate Nash, St. Helens district maintenance supervisor. "They are cordial and easy to contact by phone or e-mail," he says. "Working with PACE is problem-free."

Financial summary

Year ends June 30	2008	2007
ASSETS		
Cash	\$12,913,292	\$9,963,646
Accounts receivable	2,946,782	190,545
Total Assets	\$15,860,074	\$10,154,191
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable	42,825	42,843
Deferred revenue	636,241	347,809
Claims payable	8,254,744	3,062,018
Total Liabilities	\$8,933,810	\$3,452,670
NET ASSETS		
Unrestricted	\$6,926,264	\$6,701,521
Total Liabilities and Net Assets	\$15,860,074	\$10,154,191



For more information, contact:

Lisa Freiley, attorney; OSBA Legal, Labor & Employment Services director
lfreiley@osba.org

Oregon School Boards Association
 1201 Court Street NE, Suite 400
 Salem OR 97301
 P.O. Box 1068, Salem, OR 97308-1068
 Phone: 800-578-6722 / 503-588-2800

Frank Stratton, program manager
fstratton@sdao.com

Special Districts Association of Oregon
Salem office: P.O. Box 12613
 Salem, OR 97309-0613
 Phone: 800-285-5461 / 503-371-8667

PACE Claims office
 P.O. Box 23879, Tigard, OR 97281
 Phone: 800-305-1736 / 503-670-7066

pace.osba.org