



SISC Risk Management Bulletin

Property Losses

Background

Fire, wind, rain, theft, and vandalism are all common perils that put school district property at risk, and cause loss. Whether such losses are paid directly by a school district, SISC II, or a commercial excess carrier, ultimately it is all public funds. Therefore, it becomes critical to manage losses appropriately in order to keep loss and premium dollars in the classroom.

SISC II administers the first \$250,000 of every property loss. This money is paid directly by the pool members. The pool also funds the premium for the commercial excess policies that apply after the \$250,000 threshold has been exceeded. SISC II operates as a true pool – the number of losses and the cost of those losses are borne by the members via premium rates.

In administering claims, we are constantly striving to meet the needs of individual members by making them whole again while protecting the interests of the pool. It is a delicate balance, but adherence to our Memorandum of Coverage (MOC) and industry-standard claims practices makes achieving equity possible.

Loss Reporting

Every loss which may be covered under the scope of the MOC should be reported as soon as possible. This is especially applicable where there is physical damage to a building or structure such as in the case of wind, water, fire, or vandalism. Telephonic reporting is acceptable.

The SISC II adjuster will determine if a physical inspection of the site is warranted and advise the district accordingly. Typically, emergency response personnel can, and should, be dispatched by the district in order to contain the loss and mitigate further damage. This is often the case with water losses. However, contacting the SISC office at the inception of a loss is important in order to establish a detailed and accurate scope of loss from the onset.

The scope of loss is critical in protecting the financial interests of the district as well as the SISC II pool. It is the scope of loss that determines and separates covered repair or restoration work and any additional work the district may choose to include electively. It is not uncommon for a district to choose to alter a facility, upgrade equipment, or change the configuration of a space, but such choices are outside the scope of SISC II coverage. Early clarification and determination of the scope of loss helps prevent confusion and misunderstanding.

Restoration, Repair, & Recovery

Restoring the district to pre-loss condition is our goal and obligation. However, there is sometimes confusion as to what pre-loss condition entails. In terms of valuation, covered property is valued as follows:

1. Repair or replacement cost shall not exceed the smallest of the following amounts:

- The repair or replacement cost of the damaged property, or any part thereof, which is identical with property currently on site and intended for the same occupancy and use; or
- The amount actually and necessarily expended in repairing or replacing said property or any part thereof.

The SISC II coverage provides for replacement cost, which is often thought of as “new for old”. However, that is not the case, as defined in the MOC replacement cost shall mean the value of reasonable like kind, quality, and utility, without deduction for depreciation. Replacement cost is not intended to be outright betterment, although betterment does sometimes occur when a like kind, quality, or utility can not be achieved.

2. If the property is not repaired or replaced within twelve (12) months from the date of loss, the valuation will be Actual Cash Value as measured from the date of loss.

3. The increased cost of repair or reconstruction is limited to the minimum requirements of applicable laws and only when the loss causes the application of such law.

4. Associated engineer’s, architect’s, project manager’s, inspector’s, and professional fees are covered in the event such fees are required to satisfy the minimum requirements of applicable laws. To the extent such services are not required by law, such fees are not covered by SISC II.

Whether a job requires competitive bidding pursuant to Public Contract Code or not, districts should obtain at least three quotes/bids prior to awarding any contract on an insurance-related loss unless specifically waived by the SISC adjuster. The quotes/bids should be in accordance with the scope of loss and deviations from the scope should be handled as alternate bids.

SISC II is available to assist with procuring contractors and reserves its right to dispatch contractors for assistance with preparing a scope

of loss, price verification and/or valuation purposes.

Loss Procedure Summary

In order to ensure the district is fully and appropriately compensated for a loss, the following procedures should be followed.

1. Report the loss to SISC II as soon as possible.
2. If the loss involves theft, burglary, vandalism, arson, etc. contact the local law enforcement division.
3. Other than for emergency response, do not commit district funds without approval/authorization from the SISC II adjuster.
4. Do not dispose or discard damaged items until inspected by SISC II or its authorized agent, or until approval has been given by the adjuster.
5. Begin a detailed inventory of damaged contents as soon as possible.
6. Follow all rules for purchasing and/or public contracting.
7. Obtain at least three quotes/bids for construction related repairs/reconstruction.
8. Maintain ongoing communication with the SISC II adjuster from the inception of the loss until conclusion.

For More Information or to Report Claims:

Contact Ryan Bourget, SISC II Adjuster, at (661) 636-4606, rybourget@kern.org, or the SISC II office at (661) 636-4495.