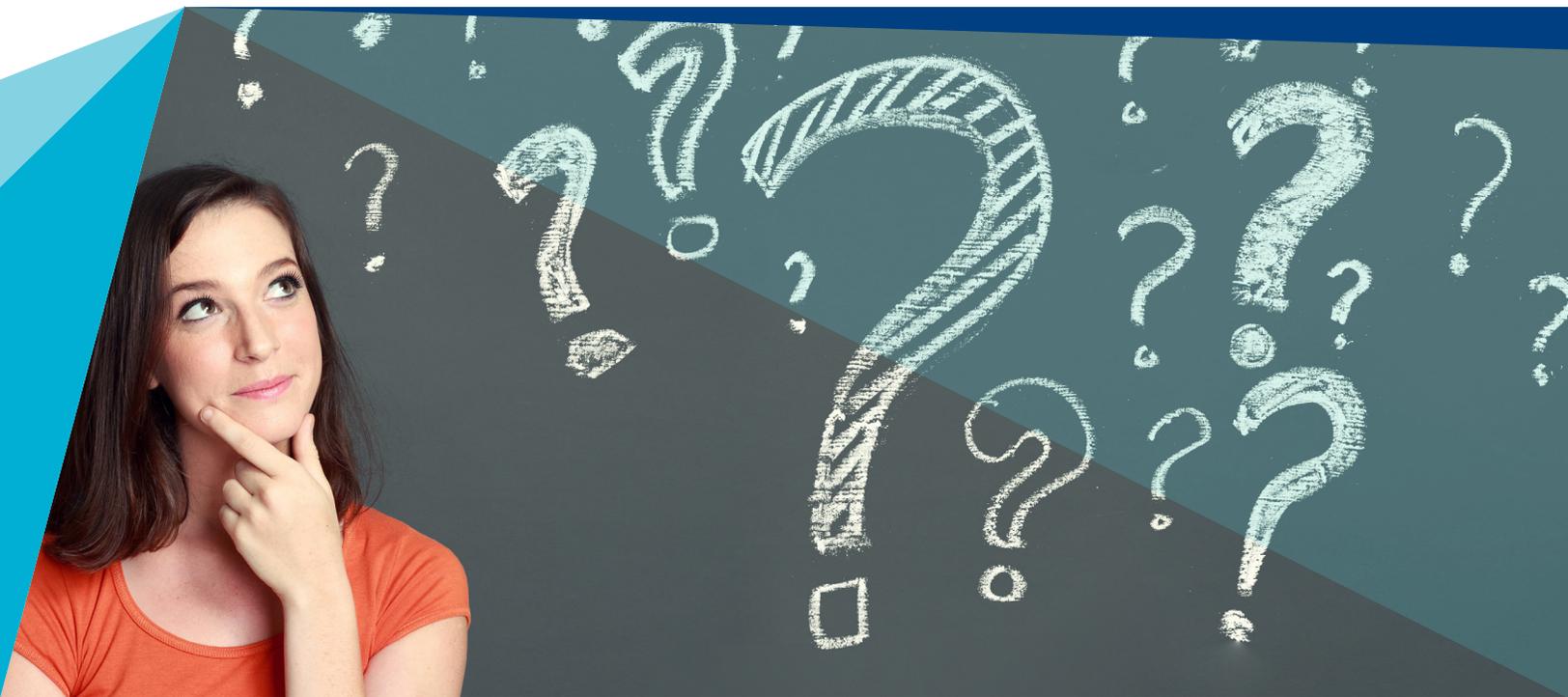


BREAKING AWAY FROM THE DISTRICT

AN INSURANCE COVERAGE GUIDE FOR CHARTER SCHOOLS



“A good rule of thumb to follow is that schools seeking to become charters should begin the employee benefits process 12 months in advance of their departure from the district.”

For charter schools leaving the district, going independent may feel like freedom, but it can be a lot like swapping out the car engine while cruising down the freeway – particularly as it pertains to insurance and employee benefits.

Because breakaway charters already have employees and property, they don't have the luxury of a staged roll-out of benefits and insurance. As soon as the school officially leaves the district, it will be responsible for having in place employee benefits and commercial insurance, including general liability, workers' compensation, among other coverage types.

So how do you put together a transition plan to make the process as smooth as possible? How do you select the right mix of employee benefits? What policies do you need for your operations, as well as your new Board of Directors?

In this perspective, we present an administrator's guide to insurance and employee benefits for existing schools setting out on their own. We offer a timeline for implementation, focus on the key areas for decision-makers, and recommend one solution that could potentially save 20% on your employee benefits premiums.

GETTING STARTED

Administrators should first focus on employees benefits and then on general liability coverage.

A good rule of thumb to follow is that schools seeking to become charters should begin the employee benefits process 12 months in advance of their departure from the district. The process of implementing commercial insurance should start about six months out.

A key step in creating an employee benefits program is setting a budget. Employee benefits offered by the district are typically richer than those offered by charters. The first place to start is to understand the cost of the district's existing package and then set your own budget accordingly.

To make that comparison, it's critical to have data that benchmarks the benefits packages offered by the district, and that of other charter schools and schools in your local area. If your benefits package isn't comparable to other schools, it may result in staff attrition.

Factoring in the cost of COBRA is also an essential component of creating a budget. Government mandated, COBRA provides for an extension of health coverage by the employer to employees. In fact, COBRA can be prohibitively expensive for charters. The goal for budget-conscious schools should be to match the COBRA benefits provided by the district.

FLAT DOLLAR VS. PERCENTAGE MODEL

Employee benefits are primarily offered using two models: A flat dollar amount of benefits or a percentage of an employee's pay. A flat dollar amount is often preferable because it

provides schools with more certainty and control over their budget. The percentage-of-pay model means that as an employee's pay rises, so will the school's employee benefit costs.

The types of health plans to offer is another very important decision. Most employee benefits programs feature an HMO-PPO model. There are cost and coverage trade-offs for each kind of plan based on network deductibles, premiums, out-of-pocket expenses, among others.

Once a school decides on the benefits, the next step is helping employees understand their options during the open enrollment period. This process should be planned out well in advance. Employees should be informed of their new benefit options at least 30 to 45 days before their upcoming effective date.

To streamline benefits enrollment, many organizations have employees enroll online. Given the complexity of selecting the right plan, schools need to work with a benefits consultant that can assist in providing answers to employees. Consultants will often host on-site informational meetings to help employees make decisions and guide them through the online enrollment process.

Post-enrollment support is equally as important. Among the questions that employers need to work through: How will employees access information or have questions answered throughout the year? What happens when they have a claim? Who on your staff is the first-line support for routine questions about benefits? How will you enroll and process new hires and terminations? How will benefits information be communicated?

COMMERCIAL INSURANCE

A school going independent should start the process of obtaining insurance at least six months from the time it receives its charter from the state or the district. Most schools need a general liability policy, coverage for directors and officers, employment practices (coverage for suits brought by employees and former employees), workers' compensation, and property claims insurance.

Transportation is also a potential area of liability that is often overlooked. Schools should have auto coverage for staff who are using their car for official school business. If the school is going to purchase vehicles, coverage will also be necessary.

Privacy breaches are increasingly common in both the public and private sector, and the fallout from divulging confidential information, especially when minors are involved, could expose a school to significant liability. Due to the rise in gun violence and terrorism, administrators should consider separate policies for both. Each policy provides for different types of coverage.

TIMING IS EVERYTHING

Ideally, insurance coverage should start on July 1, which makes renewals easier for both administrative and cash management purposes. Rather than having to track multiple renewal dates, a uniform start date enables schools to make a single payment for all its insurance plans.

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“High-quality, low-cost insurance and employee benefits are critical to your school’s success.”

A charter school’s effective date of separation from the district will be one of the most important determinations in setting up both commercial insurance and employee benefits.

The separation date will dictate when insurance and employee benefits begin, and when the charter school assumes financial responsibility. Establishing that date isn’t easy because it’s subject to change; school districts often provide short notice. It’s smart to plan for the likelihood that events will move quickly.

GETTING THE BEST VALUE

What’s the most effective way to get the most for your money?

An insurance broker, with experience helping charter schools, can help you define the scope of insurance and employee benefits. They will work with insurers to find the solutions that are the best in terms of cost and coverage.

Some organizations will hire one broker for commercial insurance and another for employee benefits. Another approach is hiring a single broker that can help with both types of coverage. A broker with both capabilities can help you save time and may also have more negotiating clout.

Either way, one of the most important considerations is selecting a broker with deep expertise and experience in charter schools and a commitment to providing exceptional, ongoing service from a knowledgeable team.

High-quality, low-cost insurance and employee benefits are critical to your school’s success. The best way to achieve that strategic objective is to allow enough time to plan and partner with professionals who understand the process.



About the CharterShield School Benefits Trust

Established in 2015 through a partnership between Marsh & McLennan Agency and the Charter Schools Development Center, the CharterShield School Benefits Trust

provides medical, dental, vision, life insurance, long-term disability and short-term disability to charter schools across California. Schools who get their benefits through the Trust are purchasing employee benefits coverage as one entity to leverage purchasing power and take advantage of large group rates. As a result of this buying power, participating schools often save 20% below the market average. In addition to favorable pricing, schools that engage with the Trust work with a dedicated team of professionals who can prepare plan options, conduct benchmarking, and provide consulting to help guide schools through the process. The CharterShield Trust specializes in unique insurance solutions to reduce costs and maintain quality coverage so participating schools can focus on what matters most to them.

To learn more about the Trust: [MMA-West.com/CharterShield-Trust](https://www.mma-west.com/CharterShield-Trust)



For more information about employee benefits and property and casualty products and solutions from MMA, please visit MarshMMA.com, or contact your local representative.

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