

# Risk Management 101: Pitfalls to Avoid



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Risk Program Administrators (RPA)

**2024 BOOKKEEPERS CONFERENCE**

March 15, 2024 | Rolling Meadows, Illinois



# Introductions

Michael McHugh, Speaker  
*Senior Executive Vice President, Program Administration*  
*Risk Program Administrators (RPA)*



Tyler MacKenzie, Speaker  
*Account Executive – Key Accounts*  
*Risk Program Administrators (RPA)*



Lynn Menth, Moderator  
*Bookkeeper/HR*  
*Newark CCSD #66*



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# Insurance & Risk Management Pitfalls to Avoid

## *Agenda*

- Timely Submission of Payments, Exposure Data & Other Paperwork
- Data Integrity
- Payment Processes
- Documentation & Reporting of Incidents
- Transfer of Risk
- Regulation of District Groups

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# Timely Submission of Payments, Exposure Data & Other Paperwork



- Occur Annually at similar time each year:
  - Insurance Premium Payment
  - Exposure Data Collection
  - Payroll Audit Forms
- Failure to comply can have significant consequences:
  - Late Fees or Cancellation
  - Uncovered exposures
  - Estimated Audit
- Set a Calendar Reminder
- Include in your fiscal audit checklist (payroll audit)
- Don't let something simple turn into more



# Data Integrity



- Property Values
  - Best addressed with a recent appraisal
  - Recommended at least every 5-7 Years (sooner if recent construction)
  - Due to recent inflation most insurers looking to know last appraisal date
- Cyber Application
  - Apps have become much more complex
  - Recommend having IT Director complete to ensure accurate tech data
  - Most insurers willing to setup a call if uncertain on info being sought
- Consequences of inaccurate values?
  - Lack of full cover for a loss (i.e. coinsurance)
  - Less competitive terms from insurers
  - Potential Non-Renewal of coverage
- Consequences of inaccurate App Data
  - Uncovered loss that would've otherwise been covered
  - Unfavorable terms and/or sublimits (ex. Ransomware)
  - Potential Non-Renewal





# Payment Processes

- Changes in Payment Info should Always be confirmed verbally (ideally in-person)
  - Vendors
  - Employee Direct Deposit Info
  - Construction Work
- Should be a formal process in how these occur (ex. Direct Deposit Change Request Form)
- Attempts at fraudulent transfer extremely common and sophisticated
  - No longer references to being a prince



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# Documentation & Reporting of Incidents

## *Employee Injuries (Workers' Compensation)*

- What constitutes a Work Comp injury?
  - Injury suffered due to scope of duties for district
  - Key – duties put employee at increased risk for injury
  - Claims administrator job to determine compensability
- Reporting
  - If employee believes injured on job always report
  - Nurse Triage / IL Form 45 / Supervisor Report of Injury form
  - Postings for reporting an injury should be in lunchrooms, breakrooms, etc.
  - Advise claims administrator of anything suspicious they should be aware of (ex. History of injuries)
- Resolution Process
  - Employee & Adjustor work together towards resolution
  - Medical treatment needs resulting from injury should be communicated from employee to adjustor
  - Adjustor will engage legal in resolving the matter



# Documentation & Reporting of Incidents

## *Student Injuries (Accident & Liability)*



- During the School Day or School Activity
  - Gym class, Recess, Hallway, etc.
  - Sports – football, basketball, cheerleading, etc.
  - District enrolled student
- Accident Coverage – offer if available
  - No Fault coverage / Meets a set of circumstances (District sponsored/supervised)
  - No out of pocket for family
  - Secondary to health insurance, primary in the case of no health insurance
- Liability Coverage – report if potential fault or legal involvement
  - Does not just “payout” – negligence based coverage
  - Tort immunities for IL public entities comes into play (i.e. gross negligence needed)
  - Adjustor is going to look to resolve in most cost efficient matter
  - Make sure to document regardless of fault – have a system





# Documentation & Reporting of Incidents

## *Third Party Injuries (Liability)*

- Injury to a person who is not a student or staff member
  - Parents, Grandparents, Visitors, etc.
  - Vendors included, however they should have Work Comp to address injuries
  - Other District students
- Common Occurrences
  - Slip/Fall due to uneven sidewalk, water, ice, snow, etc.
  - Fall on Bleachers
  - Trip in parking lot
  - Fix the Problem
- Liability Coverage – report if potential fault or legal involvement
  - Does not just “payout” – negligence based coverage
  - Tort immunities for IL public entities comes into play (i.e. gross negligence needed)
  - Adjustor is going to look to resolve in most cost efficient matter
  - Make sure to document regardless of fault – have a system



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# Documentation & Reporting of Incidents

## *Property Damage*

- Damage to Owned Property (ex. School Building)
  - Fire, Water, Wind, Hail, etc.
  - Fortuitous Events
  - Not Wear/Tear
- Response
  - Does your Insurer have pre-approved mitigation vendors?
  - Approved Vendors mitigates potential pricing issues with insurer
  - Can immediately engage (i.e. don't have to wait on adjustor approval)
- Reporting
  - Make sure the incident is reported as soon as possible to insurer
  - Document loss (i.e. Pictures)
  - Save any salvage so insurer can inspect if needed
  - Make sure B&G Director has claim reporting info



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# Transfer of Risk

## *Basics*




- Other Entities should be insuring their service/product
  - Vendors
  - Municipalities, Park Districts, School Districts
  - Independent Contractors
- Other Entity's Insurance should Protect District from service/product being provided
  - Primary Non-Contributory Additional Insured coverage
  - Proper Coverages (ex. Errors & Omissions from a Tech Firm)
  - Proper Limits (ex. Transportation = \$10M+)
- Contractual Language Matters
  - Certificates of Insurance are just Paper evidencing coverage
  - Coverage ties back to contractual requirements (ex. Additional Insured status)
  - Indemnification = Legal / Additional Insured = Insurance
  - Make sure contracts are reviewed with Legal & Insurance

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# Transfer of Risk

## Certificates of Insurance

		<b>CERTIFICATE OF LIABILITY INSURANCE</b>		DATE (MM/DD/YYYY) 10/17/2018			
THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.							
IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).							
PRODUCER Agency Name Address Info		CONTACT NAME AND CONTACT INFORMATION					
		PHONE (A/C No. Ext): FAX (A/C No.): E-MAIL ADDRESS: INSURER(S) AFFORDING COVERAGE INSURER A: A VII or Higher Rated Ins. Co. INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:					
INSURED Entity Name Entity Address Info Entity City ST		NAIC #					
COVERAGES		CERTIFICATE NUMBER: 76881662		REVISION NUMBER:			
THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.							
INSUR LTR	TYPE OF INSURANCE	ADDITIONAL INSURED	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:	Y	00-00-00	1/1/2019	1/1/2020	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (EA occurrence) \$ 500,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COM/OP AGG \$ 3,000,000	
			Box A				
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> HIRE AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS ONLY	Y	00-00-00	1/1/2019	1/1/2020	COMBINED SINGLE LIMIT (EA accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$	
			Box B				
A	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> RETENTION \$	<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS-MADE	Y	00-00-00	1/1/2019	1/1/2020	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000
			Box C				
A	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> Y <input type="checkbox"/> N	N/A	00-00-00	1/1/2019	1/1/2020	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000
			Box D				
DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required) (School District Name) is named as additional insured on a primary and non-contributory basis on the above referenced liability coverages as their interests may appear except for workers compensation. Umbrella or Excess Liability provides follow form coverage.							
Box E							
CERTIFICATE HOLDER			CANCELLATION				
School District Name School District Address School District City ST			SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.  AUTHORIZED REPRESENTATIVE				

- Box A – General Liability
  - \$1M Per Occurrence
  - Additional Insured status
- Box B – Auto Liability
  - \$1M Combined Single Limit
  - Additional Insured status
- Box C – Umbrella / Excess Liability
  - \$1M - \$15M depending on Vendor
  - Additional Insured Status
- Box D – Work Comp
  - Statutory State Limits
  - \$1M Employers' Liability
- Box E – Description of Ops
  - Primary & Non-Contributory
  - Additional Insured language
  - Excess Follow Form Coverage
  - Confirmation Liability includes Abuse (or at least doesn't exclude)

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# Regulation of District Groups



- Does the district's Liability extend to PTO's/PTA's/Boosters/Foundation?
  - Basis for what cover these groups should be securing on their own
  - Crime or Protection of Funds from theft typically never extends
  - Foundation Boards typically need their own D&O
- Does the district want Liability cover extending?
  - Do hosted events get run through district office for approval?
  - Does district have final say on event activities? (ex. Bouncy House)
  - Are certificates and proper cover being secured from Vendors
- If Liability coverage doesn't extend...
  - Secure annual certificates evidencing Liability cover from these groups
  - Ensure District is additional insured on their coverage
  - If no coverage District inevitably getting drawn into loss matter







# ***Questions and Answers***

*We thank you for your time!*

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# Presenters:



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