



For Oregon Schools, By Oregon Schools

July 18, 2011

RE: United Schools Insurance Program of Oregon (USIPO)

Dear Program Members, Agents, Brokers, Oregon School Districts, Community Colleges and Charter Schools:

Since 2004, the United Schools Insurance Program of Oregon (USIPO) has offered Oregon schools a viable insurance option for their property and casualty needs. We have done this while also providing our members best-in-class risk management services. USIPO was originally formed at the request of several Oregon school superintendents who were eager for alternative options to better manage their insurance needs. During our brief history we have successfully seen what originally began with 11 school districts grow to over 50 member entities.

Throughout our expansion efforts we have been pleased to provide a wide array of insurance services and risk management tools that were previously unavailable to Oregon schools. In addition, by following our philosophy of delivering members a fiscally conservative program coupled with the best insurance mechanisms to minimize exposure, USIPO's innovative structure has raised the bar for all property and casualty insurance programs serving Oregon schools. We are proud to see that since our inception all Oregon schools, whether a member of USIPO or not, have seen greater stability in their insurance rates and many more school centric services.

In spite of our achievements, due to recent developments, the Board of Directors regretfully has to deliver the following information. In 2007, a new pooling law, ORS 30.282(6), was proposed and sponsored by our competition. This law was designed to establish funding mandates that were in complete opposition to USIPO's conservative model. In contrast to other programs, USIPO fully funds all claims up to an actuarially determined aggregate stop-loss level, and then purchases a stop-loss policy from an excess insurance/reinsurance company to cover any cost(s) above this statistically calculated aggregate stop-loss number. This fiscally conscious approach ensures that all claims covered by the program are either funded by the pool or covered by the stop-loss policy. Despite our best efforts, Oregon's Legislature passed the law, requiring 25% of a program's revenues be held in State reserves, while also instituting an arbitrary program size minimum of \$1 million. These changes were retroactively applied to all existing programs, and clearly contradicted USIPO's structure and philosophy.

Knowing these requirements would directly impact USIPO, we made several attempts to reverse this legislation. Our attempts included a bill submitted during the most recent legislative session that would have revised the law to allow for a reinsurance policy to satisfy the 25% reserve constraint and to readdress the subjective minimum program size requirement. Unfortunately the bill, which was heavily opposed by our competition, did not reach committee and was killed.

USIPO lost a few key member districts effective 7/1/11, resulting in the pool falling below the \$1 million program size minimum. As a result, after the 2010/2011 fiscal year, USIPO will not be able to maintain compliance with ORS 30.282(6) and will no longer be able to provide property and casualty insurance coverage for Oregon school districts, community colleges and charter schools. However, we will be extending coverage for our members until September 30, 2011, to allow our current members the opportunity to have their insurance coverage placed elsewhere. Please note that USIPO will still be in existence for several years as claims "run out".

To say that we are very disappointed by these developments is an understatement. USIPO has always had the best interest of Oregon's educational system and those it serves in mind. The standards that USIPO has set are some of the best in the nation, and our hopes are that the competing program will maintain these high standards and competitive rates.

We truly value all of the support the many administrators, districts, community colleges, charter schools and local agents have provided USIPO and its members over the years. We are hopeful that the future will once again allow Oregon schools to have viable options regarding their property and casualty insurance needs.

Respectfully,

Tim Labrousse,



Superintendent, Malheur ESD-Region 14
USIPO Board Chair

Greg Munn,



Director of Financial Services
High Desert ESD

Jenny Rossknecht,



Director of HR and Risk Management
Rogue Community College

Craig Hoppes,



Superintendent
Astoria School District #1C

cc: Russell Latham, Oregon Insurance Division OSBA