



State of Utah

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Governor

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Lieutenant Governor

Department of Administrative Services

TANI PACK DOWNING
Executive Director

Division of Risk Management
BRIAN NELSON, *Director*

April 20, 2020

Keith C. Rittel
Superintendent
Provo City School District
280 West 940 North
Provo, UT 84604

RE: TIMPVIEW HIGH SCHOOL COVERAGE

Dear Superintendent Rittel:

Introduction. The purposes of this letter are to explain and confirm our coverage concerns and decisions relative to Timpview High School (“Timpview”). Please let me know immediately if the following narrative is inaccurate in any way.

Property Insurance Program. Of initial importance is an explanation of our property insurance program. The State Risk Management Fund (“Fund”) covers over \$37Billion of assets that are owned or leased by all 41 school districts; all colleges and universities; all state agencies; and about 65 charter schools. The Fund purchases excess property insurance with limits of \$1Billion to cover those assets. The excess property carriers currently require the Fund to absorb the first \$1Million of each loss. Once the Fund has paid \$3.5Million in a coverage year, excess insurance covers all property claims above that threshold, subject to a maintenance deductible of \$50K per claim. Due to recent significant catastrophic losses (wildfire, hurricane, flood, etc.) in the U.S. and across the globe, the excess property market has hardened considerably. For the current fiscal year, our excess property premium jumped by 13.7%, roughly \$1.2Million. Initial projections for fiscal year 2021 are that rates will increase by at least 20% percent, and the recent earthquake losses will have an impact on that anticipated increase. To assess the risks within our property portfolio and drive down premiums, we asked our principal excess property insurer, AIG, to conduct engineering inspections and plan reviews of 30 selected buildings per year. Timpview was among those selected for inspection in fiscal year 2019. Needless to say, our excess property insurance underwriters are aware of and concerned about Timpview’s hazards.

Timpview Issues. On March 19, 2019, I sent you a letter, in which I outlined the concerns I had previously discussed with you and with the School District Board following our review of engineering reports from Dynamic Structures and Calder Richards. I will not reiterate all those concerns here, but it is important to review the greater causes of my apprehension: (a) the District, the Board, and

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District constituents were aware that Timpview's environmental instability presented a significant, foreseeable risk to students, faculty, staff, visitors; and (b) the prospect of legislation that could deprive all governmental entities and the Fund of critically important governmental immunity limits and protections following a significant, foreseeable, and avoidable loss at Timpview. That apprehension only increased when I learned that the District was unable to obtain public support for funding to replace Timpview.

Coverage Discussions and Actions. At length I came to the difficult conclusion that Timpview, as is, presented too great a risk for the Fund and that it should be excluded from both property and casualty coverage, commencing July 1, 2020, unless the District could demonstrate that it would take appropriate measures to eliminate all known, significant hazards. That decision was communicated to the District with two important commitments: (a) that our office would work with Mark Wheeler and the District's engineering professionals to create a workable plan to address all known threats; and (b) that our overarching objective would be to keep Timpview within the Fund's insurance programs. Over the ensuing months, our engineer, George Deneris, and our environmental safety specialist, Karen Peterson, worked closely with District representatives and engineering professionals to identify issues and develop solutions. Ultimately, Mr. Wheeler and the District's contract engineers communicated a superb solution that met our criteria and ameliorated our concerns. Consequently, I have decided that Timpview will remain within the Fund's coverage programs, which was our ardent hope all along.

District Commendation. You and your remarkable team are to be commended for your candor, objectivity, diligence, and creativity in addressing the challenging Timpview's unique and challenging risks. Your concerns for your stakeholders were always evident, but I am especially grateful for your enduring and obvious commitment to the safety of your students.

Sincerely,

Brian Nelson

BRIAN NELSON

Cc: Mark Wheeler
Stefanie Bryant