

# Training 6-7: Liability Insurance & Fidelity Bond



Welcome to the Wisconsin Department of Public Instruction's training module on the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training. The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. Provisions of this training module are subject to statutory and rule changes.

In this section of the Fiscal and Internal Control Practices requirements we will go through the Liability Insurance & Fidelity Bond requirements.

## Liability Insurance

Coverage	Required Coverage Amount
Worker's Compensation Liability Insurance	Amount required by state statute
Commercial General Liability Insurance	
Each Occurrence - Required minimum	\$1,000,000
Personal Injury - Required minimum	\$1,000,000
Umbrella Excess Liability Insurance - Aggregate Limit	\$5,000,000
Auto Liability Insurance - Each Accident	\$1,000,000
Errors and Omissions Liability for School Leaders - Aggregate Limit	\$1,000,000
Sexual Misconduct Liability - Aggregate Limit	\$1,000,000

- Coverage must meet minimum state requirements, unless the coverage amounts are based on a written recommendation of a risk or insurance consultant.

This chart summarizes the required liability insurance for the Choice program. If the school has less than this amount, it must have a written recommendation of a risk or insurance consultant that indicates that the dollar amount is appropriate for their school.

All schools must have each of these insurances, even the auto liability insurance. If the school does not own any automobiles, it may obtain a non-owned auto liability policy.

The required insurance must be in place by May 1 if the school is participating in summer school; otherwise the coverage must be in place by August 1 of the first year a school participates in the Choice program and remain in place as long as the school is participating in the Choice programs.

## Liability Insurance

- The school must be current with their insurance payments.
- Either the certificate of insurance should have DPI listed as a “certificate holder” or the insurance policy should have DPI listed as an “additional insured endorsement.”

The School must be current with their insurance payments. This will be reviewed by the school’s external auditor. Additionally, either the certificate of insurance should have DPI listed as a “certificate holder” or the insurance policy should have DPI listed as an “additional insured endorsement.”

## Liability Insurance

- If the errors & omissions liability for school leaders and the sexual misconduct liability insurances are combined with other insurance, the limit must be at least as much as the sum of all the required aggregate limits.
- If a directors and officers insurance is used for the errors & omissions policy it must:
  - Cover the school's officers, governing board, and employees
  - Include employment related issues

If the errors & omissions liability for school leaders and the sexual misconduct liability insurances are combined with other insurance, the limit must be at least as much as the sum of all the required aggregate limits. Each of these policies require a \$1 million aggregate limit. So, for example, if the errors & omissions and the sexual misconduct liability insurances were combined, the aggregate limit would need to be \$2 million.

If a directors and officers insurance is used for the errors and omissions policy, the policy must specify that it covers the school's officers, governing board, and employees and that it includes employment related issues.

## **Risk Management & Insurance Evaluation**

A risk management and insurance evaluation must be completed at least once every 3 years. It must include a risk management and evaluation of current insurance component.

The school must have a risk management and insurance evaluation completed once every three years. Schools new to the Choice programs must have the evaluation completed by their third year in the program. It must include a risk management assessment and an evaluation of the current insurance components.

The risk management and insurance evaluation must be completed by a risk or insurance consultant. The school can have its own insurance agent complete the evaluation, but may want to have a different risk or insurance consultant complete it for an independent assessment.

## Fidelity Bond

- A school shall have a fidelity bond indemnifying the school against loss resulting from dishonesty, malfeasance, or neglect by owners, officers, and employees.
- The payments on the fidelity bond must be current.

Each school is required to have a fidelity bond which indemnifies the school against loss resulting from dishonesty, malfeasance or neglect by owners, officers and employees. The payments on the fidelity bond must be current. Wisconsin administrative rule does not require that the fidelity bond be a certain amount. Schools should work with their insurance agents to determine the appropriate amount for their school.

## Questions

Website: <http://dpi.wi.gov/sms/choice-programs>

Email: [DPIChoiceAuditReports@dpi.wi.gov](mailto:DPIChoiceAuditReports@dpi.wi.gov)

Phone: 1-888-245-2732 ext. 3



If you have any questions about the information discussed in this training, please see the Private School Choice Programs homepage. The left menu bar of the Private School Choice Programs homepage has resources for both schools and auditors.

Choice schools may also contact the Choice auditors at the email on the slide, or call the toll-free number at 1-888-245-2732, extension 3.