

June 5, 2001

Personnel Management and Services  
Nelson E. Diaz, Deputy Superintendent

**SUBJECT: REQUEST FOR RENEWAL OF POLICE PROFESSIONAL LIABILITY  
INSURANCE COVERAGE**

At the Board meeting of May 17, 2000, the Board authorized purchase of its Police Professional Liability Insurance Coverage, effective July 1, 2000 through June 30, 2001, from Lexington Insurance Company (AIG)(A.M. Best A++XIV), through the joint venture of Arthur J. Gallagher & Co., Miami, Florida, and Bendell Insurance Group, Inc., Miami, Florida, with an annual premium of \$74,000. This purchase was approved as a result the Board's previous carrier, National Union Fire Insurance Company (AIG), informing the Board that they would not be able to offer a renewal quotation, due to the fact that the carrier was no longer writing single line coverages of this type. National Union Fire Insurance Company was the only proposer who provided a quotation in response to Request For Proposal (RFP) # 093-XX-10, which was originally awarded at the Board meeting of October 21, 1998.

Pursuant to the authorization contained in State Board Rule 6A-1.012(11), which permits the School Board to negotiate with carriers, a renewal quotation has been secured from the Board's current carrier as follows:

Insurer: Lexington Insurance Company (AIG) (A.M. Best A++XIV)

Term: July 1, 2001 – June 30, 2002

Coverages: Law Enforcement and Professional Liability, including coverage for false arrest, detention, imprisonment, civil rights violations, malicious prosecution, wrongful entry, eviction, or other invasion of private occupancy, humiliation, discrimination, libel, slander, assault and battery and first aid.

Limits: \$5,000,000 each wrongful act/\$5,000,000 annual aggregate

Deductible: \$100,000 each wrongful act, including defense expense

Annual Premium: \$90,000

This coverage does include defense costs, resulting in any incurred defense costs becoming part of the Board's deductible, with additional costs of defense being borne by the carrier. Defense costs do not affect the coverage limits.

This important coverage is designed to insulate the Board from the liabilities associated from having its own police force, especially due to the fact that these type of claims typically fall outside the scope of those liabilities where the Board enjoys limited sovereign immunity, pursuant to the provisions of Chapter 768.28, Florida Statutes. Currently there are nine claims which have been reported to American International Group (AIG), which owns both the current carrier, Lexington Insurance Company, and the previous carrier, National Union Fire Insurance Company. The 22% premium increase from \$74,000 to \$90,000 reflects the increases taking place in the marketplace for this coverage, taking into account the size of the force, and other factors, including the multiple mutual aid agreements the Board has entered into with various other police agencies.

Other options for coverage of this type have been explored, including the coverage offered by the Florida Municipal Insurance Trust (Florida League of Cities), however, the large financial losses incurred by these institutions are concerning, when compared to the financial stability of Lexington Insurance Company, which is rated A++ XIV by A.M. Best, resulting in a Superior rating from that insurance company rating agency.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida authorize renewal of its Law Enforcement and Professional Liability Insurance coverage, pursuant to the provision of the received renewal quotation, from Lexington Insurance Company (AIG)(A.M. Best A++ XIV), through the joint venture of Arthur J. Gallagher & Co., Miami, Florida, and Bendell Insurance Group, Inc., Miami, Florida, effective July 1, 2001 through June 30, 2002, at a flat annual premium of \$90,000, funds to be taken from the Board's liability insurance premium budget.

NED:sc