

Office of Superintendent of Schools  
Board Meeting of November 14, 2001

November 13, 2001

Personnel Management and Services  
Nelson E. Diaz, Deputy Superintendent

**SUBJECT: REQUEST FOR AUTHORIZATION TO NON-RENEW THE BOARD'S  
EXCESS (NON-OWNED) AIRCRAFT LIABILITY POLICY**

Revised

The School Board has carried excess Non-Owned Aircraft Liability Insurance since 1993 to cover the exposures related to the flight training component of Hialeah Senior High School's Aviation Magnet Program. This policy was designed to further insulate the School Board from liability, with the contracted flight training vendor was required to carry primary aviation liability insurance coverage. Limits of liability for this policy have been \$1 million per seat/\$5 million aggregate per accident, and for policy year December 10, 1999 to December 10, 2000 the annual premium was \$19,250. At the Board Meeting of November 15, 2000, the Board authorized renewal of this program for one additional year, effective December 10, 2000, in order to keep access to this type of coverage while a new flight training vendor was sought through the issuance of a Request For Proposal (RFP). The carrier, National Union Fire Insurance Company (AIG), agreed to renew the policy at a minimum premium amount of \$7,100, in order to allow the coverage to remain in effect until a flight vendor was chosen, at which time the policy would be endorsed to reflect any change in limits or premiums. This was recommended due to the difficult market conditions of this type of coverage, and there was concern that if the policy lapsed before a new flight vendor could be chosen, that the Board's coverage would significantly increase in cost, or even become unavailable.

The Division of Schools of Choice worked with the Division of Procurement Management and Materials Testing to issue two Requests For Proposals for flight training services. The first RFP #094-AA10 was issued with the Board rejecting all proposals at the Board meeting of March 14, 2001. A subsequent RFP# 222-AA10 was issued with the Board rejecting all proposals at the Board meeting of October 24, 2001. The reason in both instances for rejecting the proposals was the inability of the companies to provide adequate limits of aviation liability coverage. The Board's broker for the Non-Owned Aviation coverage, Arthur J. Gallagher & Co., Miami, Florida, who has an office in Denver, Colorado specializing in aviation placement, attempted to assist the flight training vendor with the better proposal to procure additional limits, however, due to market conditions, this was impossible.

Faced with this dilemma staff explored the possibility of increasing its coverage to insulate its from the additional liability it was facing by having a flight vendor with low limits of coverage. Again, due to the difficult market conditions, AIG was only willing to provide coverage with lowered limits of \$1 million per seat/\$1 million annual aggregate, at what was expected to be significantly higher rates.

As bad as the insurance marketplace for aviation liability insurance has been prior to September 11, 2001, it is now much worse. Public entities such as Miami-Dade County were faced with possible cancellations of aviation policies at airports and were faced with mid-year rate increases, including surcharges of approximately \$400,000 to continue to have coverage for war and terrorism related risks. It was obvious that the ability for small flight training vendors who were being targeted by the FBI for questioning, following the knowledge that some of the terrorists were utilizing them for flight training, would not be able to provide even the meager coverages they had provided in the past. A meeting held with Mr. Joseph H. Mathos, Deputy Superintendent, Education, and staff from the Division of Schools of Choice and Hialeah Senior High School was held on September 27, 2001. At that meeting, the recommendation was made to pursue alternatives to contracting with a flight training vendor to provide the flight training component by exploring ideas such as the use of flight simulators. As such, staff is recommending that the Board's current Non-Owned Aircraft Liability policy be non-renewed, effective December 10, 2001. Market conditions for this type of coverage will continue to be monitored so that in the future if it appears feasible for the Board to be able to contract with a flight vendor who can provide adequate primary aviation coverage, and the Board is able to obtain adequate Non-Owned Aviation coverage, restoration of a flight training component can be pursued.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida:

1. non-renew its excess (Non-Owned) Aircraft Liability Policy with National Union Fire Insurance Company (AIG)(A++XV), through Arthur J. Gallagher & Co., Miami, Florida, effective December 10, 2001; and
2. authorize the Superintendent to continue to monitor the insurance marketplace for aviation coverage, in order to ascertain a time when appropriate coverage for a flight training component for the Board's Aviation Magnet at Hialeah Senior High School could be pursued.

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