

Financial Affairs
Richard H. Hinds, Chief Financial Officer

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

At the Board meeting of June 20, 2001, the Board authorized renewal of its Law Enforcement and Professional Liability Insurance coverage, effective July 1, 2001 through June 30, 2002. This coverage was originally written by National Union Fire Insurance Company (AIG)(A.M.Best A++XIV) as a result of the issuance of Request For Proposal (RFP) # 093-XX-10, which was originally awarded at the Board meeting of October 21, 1998. National Union Fire Insurance Company was the only proposer who provided a quotation in response to this RFP. Subsequently, this coverage was written by Lexington Insurance Company (AIG)(A++XIV), effective July 1, 2000. Lexington Insurance Company currently provides the coverage. The expiring annual premium is \$90,000.

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++XV)
TERM: JULY 1, 2002 – JUNE 30, 2003
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, FIRST AID, FALSE OR IMPROPER
SERVICE OR PROCESS, AND VIOLATIONS OF PROPERTY RIGHTS
LIMITS: \$5,000,000 EACH WRONGFUL ACT/\$5,000,000 ANNUAL
AGGREGATE
DEDUCTIBLE: \$100,000 EACH WRONGFUL ACT, INCLUDING DEFENSE EXPENSE
ANN. PREMIUM: \$133,500 Minimum and Deposit (Flat)

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.

G-47

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 types 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.

Due to the dishevelment of the insurance marketplace, subsequent to the events of September 11, 2002, liability insurance coverages are difficult to obtain. 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.

The incumbent also provided a rate alternative which would substantially change the conditions of the policy from an occurrence basis to a claims made basis. The program change would result in claims which occur, but may not properly reported in a timely manner, being excluded from coverage.

Typically, the only time a change of this type is considered is when there is a material difference in the premium. The quotation to move to a claims made contract was \$93,000, as opposed to the quotation for remaining on an occurrence base for \$133,500.

Changing the coverage type would also put the Board in a position of possibly having to purchase an extended reporting endorsement, which was quoted at \$30,000 for a one year endorsement and \$209,250 for a two year endorsement. Based upon these facts, staff and the Board's consultant feel strongly that the coverage should remain as it is presently on an occurrence basis.

RECOMMENDED: That The School Board of Miami-Dade County, Florida authorize renewal of its Law Enforcement and Professional Liability Insurance coverage, pursuant to the provisions of the received renewal quotation, from Lexington Insurance Company (AIG)(A.M. Best A++ XV), through Arthur J. Gallagher & Co., effective July 1, 2002 through June 30, 2003, at a flat annual premium of \$133,500, and authorize renewal of this program for one additional year, effective July 1, 2003 through June 30, 2004, subject to no change in premium, terms and/or conditions, with funds to be taken from the Board's liability insurance premium budget.

Funds for this premium will be included in the General Fund of the 2002-2003 Adopted Budget.

RHH:sc