

Financial Affairs
Edward Marquez, Chief Financial Officer

**SUBJECT: RENEWAL OF SPECIFIC EXCESS WORKERS' COMPENSATION
COVERAGE**

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

At the Board meeting of June 18, 2003, the Board authorized renewal of its specific workers' compensation coverage with Wexford Underwriters/Continental Casualty Company (CAN) (A.M. Best A XV), through Arthur J. Gallagher & Co., effective July 1, 2003 to July 1, 2004, inclusive of an increase in the Board's self-insured retention from \$500,000 to \$750,000 per claim.

This renewal was critical, as workers' compensation rates across the nation have skyrocketed, following the events of September 11, 2001, which resulted in mass claims against workers' compensation carriers. While the market has stabilized somewhat, rates are still increasing, due to continued double digit increases in medical costs and increases in indemnity costs. Underwriters are requiring complete exposure information including employee demographics before quoting. Premium increases ranging from 10% to 50% are prevalent.

Pursuant to the provisions of State Board Rule 6A-1.012(11), the Board may purchase insurance through direct negotiations and contract. Staff has been specifically monitoring insurance markets for the past several years to gauge when it would be in the Board's best interest to market coverages. Due to the difficult market for excess workers' compensation coverages, staff and the Board's consultant, Siver Insurance Consultants, Inc., strongly recommend that the Board make every attempt to renew its current coverage with Wexford Underwriters.

Following numerous renewal meetings, both locally and during the National Risk and Insurance Management Society Conference, staff, and the Board's broker, Arthur J. Gallagher & Co. are recommending renewal of its excess Workers' Compensation Insurance Program as follows:

**INSURER: WEXFORD UNDERWRITERS / CONTINENTAL CASUALTY
INSURANCE COMPANY (A.M. BEST A XV)**

**COVERAGE: EXCESS WORKERS' COMPENSATION COVERAGE PURSUANT TO
PART A WORKERS' COMPENSATION BENEFITS APPLICABLE TO
EMPLOYEES OF MIAMI-DADE COUNTY PUBLIC SCHOOLS AS
STIPULATED IN SECTION 440, FLORIDA STATUTES, AND PART B
EMPLOYERS LIABILITY COVERAGE AS DEFINED IN THE POLICY**

LIMITS: PART A - WORKERS' COMPENSATION - STATUTORY
PART B - EMPLOYERS LIABILITY SUBJECT TO \$3,000,000 EACH
OCCURRENCE/ANNUAL AGGREGATE

**SELF-INSURED
RETENTION:** \$750,000 PER OCCURRENCE

PREMIUM: MINIMUM AND DEPOSIT OF \$1,642,836 BASED UPON PAYROLL
RATE OF .0946/\$100 PAYROLL (1,736,613,418), SUBJECT TO
ANNUAL AUDIT

TERRORISM: COVERAGE PROVIDED AND INCLUDED IN BASE RATE, SUBJECT
TO ANNUAL AUDIT

**ADDITIONAL
ENDORSEMENTS:** EMPLOYERS LIABILITY LIMITATION, CLAIMS EXPENSE
AMENDATORY, FLORIDA AMENDATORY, FOREIGN VOLUNTARY
COMPENSATION, TERRORISM RISK INSURANCE ACT (TRIA), AND
JONES ACT COVERAGE (\$1,000,000 PER OCCURRENCE/\$2,000,000
ANNUAL AGGREGATE)

The renewal program consists of a premium rate increase of 7.5%. The expiring rate is .0880/\$100 payroll, and the Board's minimum and deposit premium last year was \$1,526,154, based upon a base payroll of \$1,733,529,790. Staff feels that this increase is very competitive in the difficult workers' compensation marketplace. Carriers are continuing to attempt to change coverage terms to limit coverage under Part A, however, staff feel strongly that in the event of a major catastrophe where the Board could have multiple employees injured, coverage which provides unlimited medical coverage and one self-insured retention per occurrence, would provide needed financial protection to the Board.

RECOMMENDED: That The School Board of Miami-Dade County, Florida authorize renewal of its specific excess workers' compensation coverage with Wexford Underwriters/ Continental Casualty Company (CAN)(A.M. Best A XV), through Arthur J. Gallagher & Co., effective July 1, 2004 to July 1, 2005, with a self-insured retention of \$750,000 per occurrence, Statutory benefits for workers' compensation and \$3,000,000 per occurrence/annual aggregate Employers Liability coverage, at an estimated rate of .0946/\$100 payroll, with a deposit premium of \$1,642,836, based on an estimated payroll of \$1,736,613,418, including coverage for Terrorism Risk Insurance Act (TRIA), final premium subject to audit of actual payrolls incurred as of July 1, 2004 through June 30, 2005.

Funds for this premium will be included in the General Fund of the 2004-2005 Adopted Budget.

EM:sc