Office of Superintendent of Schools
Board Meeting of March 16, 2005

March 2, 2005

Office of Human Resources
Paul M. Cholak, Chief Personnel Officer

SUBJECT: REQUEST FOR AUTHORIZATION TO SEEK RENEWAL TERMS AND CONDITIONS FOR BOARD'S COMPREHENSIVE FIDELITY BONDS AND RELATED COVERAGES

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

At the Board meeting of May 15, 2002, the Board authorized renewal of the comprehensive fidelity bond program, following the Board's prior authorization to enter into negotiations for renewal terms, which was provided at the meeting of March 13, 2002. The current program expires May 31, 2005, and authorization is sought to seek renewal terms for a renewal program, effective June 1, 2005 for a three year term. This authorization is sought pursuant to the authority granted in State Board Rule 6A-1.102(11), whereby the Board is authorized to directly negotiate and enter into contracts for insurance, risk management programs, or third party administrators.

The procurement of fidelity bonds for school board employees is required, pursuant to Section 1001.42(10)(h). The recommendation to enter into negotiations for renewal terms and conditions is based upon the ongoing difficult nature of the bonding marketplace, stemming from the bankruptcies of Enron Corporation and K-Mart Corporation, as well as the significant fiscal mismanagement and fraud cases stemming from such corporations as Healthsouth and MCI, formerly WorldCom. In all of these cases, the surety companies providing fidelity bonds were inundated with surety claims, which have not only restricted the number of surety companies in the marketplace, but has also resulted in restrictions in the scope of coverages which are presently available.

The Board's present program consists of the following:

PUBLIC OFFICIAL BLANKET BOND
Covers all employees except those listed to be covered by position bonds

Surety:	Zurich/Fidelity and Deposit (A.M. Best A+XV)
Limits:	$25 million per occurrence
Deductible:	$50,000 per occurrence
Annual Premium:	$100,524 (2002-2003, 2003-2004, and 2004-2005)

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<u>PUBLIC OFFICIAL NAMED POSITION BOND</u>
Presently covers six specific employees in Treasury Management

Surety:	Liberty Mutual (A.M. Best A+XV)
Limits:	$27 million per occurrence
Deductible:	N/A
Annual Premium:	$97,200 (2002-2003), $99,960 (2003-2004, 2004-2005)

<u>POLICE OFFICERS SPECIAL SECURITY BOND</u>
Presently covers 186 sworn police officers employed by the Board

Surety:	Liberty Mutual (A.M. Best A+XV)
Limits:	$5,000 per officer
Annual Premium:	$2,691 (2004-2005)

TOTAL ANNUAL PREMIUM FOR 2004-2005 POLICY YEAR - $203,175 (EXCLUDING MISCELLANEOUS BONDS SUCH AS NOTARY BONDS, BOARD MEMBER BONDS, ETC.)

It is recommended that staff from the Office of Risk and Benefits Management, in conjunction with Arthur J. Gallagher & Co., be authorized to seek renewal terms from the incumbent surety companies, as well as to seek quotations from other surety companies meeting minimum requirements, which may be interested in providing surety coverages, effective June 1, 2005, for a multi-year term of at least three years. Due to the restrictions in the surety marketplace, staff will attempt to meet or exceed the current level of surety coverages, however, all aspects of this program are subject to negotiations to achieve the best renewal.

Additionally, due to a change in Florida Statutes, the previous requirement for a Special Security Bond for School Board Police Officers no longer exists, even though the statutory requirement continues for University and Community College Police units. Since the Board protects itself from liability through the purchase of Police Professional Liability Insurance, and taking into consideration the small amount ($5,000) of the previously required bond, it is recommended that this coverage no longer be secured.

Final recommendations for surety coverage placement, including specific terms, conditions, and premiums will be brought back to the Board at the School Board meeting of May 18, 2005.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, authorize the Superintendent to begin renewal negotiations for its comprehensive fidelity bonding program, through Arthur J. Gallagher & Co., for a renewal period of at least three years, effective June 1, 2005, with specific recommendations for purchase of surety coverage placement, including specific terms, conditions and premiums to be brought back to the Board at its meeting of May 18, 2005.

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