

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

**SUBJECT:           REQUEST FOR AUTHORIZATION TO SELECT AND NEGOTIATE  
                      WITH RESPONDENTS TO REQUEST FOR PROPOSAL (RFP) #  
                      055-EE10, STUDENT ACCIDENT AND ATHLETIC ACCIDENT  
                      INSURANCE COVERAGES**

**COMMITTEE:       INNOVATION, EFFICIENCY AND GOVERNMENTAL RELATIONS**

At the Board meeting of February 16, 2005, the Board authorized the Superintendent to issue Request For Proposal (RFP) # 055-EE10, Student Accident and Athletic Accident Insurance Coverages. The Board also approved the recommended ad-hoc committee, pursuant to School Board Rule 6Gx13-3F-1.022, Professional Service Contracts for Insurance or Risk Management Programs -- Policy.

Proposals received in response to the RFP were opened at the regular bid opening on March 22, 2005. There were two proposals received for the student accident insurance portion of the RFP; two proposals received for the football accident portion of the RFP; and one proposal received for the catastrophic athletic accident portion of the RFP.

State Board Rule 6A-1.012(11), provides authorization for a district School Board when purchasing insurance, entering into risk management programs, or contracting with third party administrators, to make such acquisitions through the bid process, or by direct negotiations and contract. As a result of that authorization, staff from the Office of Risk and Benefits Management, in conjunction with the Board's insurance consulting firm of Siver Insurance Consultants, Inc., conducted an analysis of the received proposals, including negotiating alternative proposals, which were then presented to the Superintendent's ad-hoc committee, which met on Friday, April 29, 2005.

The committee consisted of the following individuals:

Mr. Scott B. Clark, Risk and Benefits Officer  
Ms. Cheryl Golden, Greater Miami Athletic Conference (GMAC)  
Ms. Michelle Benz, Athletic Trainer, Palmetto Senior High School  
Mr. Eric Molina, Athletic Trainer, Coral Gables Senior High School  
Mr. David Parks, Doctor's Hospital (Sports Medicine Program)  
Mr. Jeff Moquin, Risk Manager, Broward County School Board  
Ms. Dianne Howard, Risk Manager, Palm Beach County School Board

The committee reviewed the following proposals:

**STUDENT ACCIDENT INSURANCE**

<b>Current Program: School Insurance of Florida, Inc.</b>	<b>Proposal 1 School Insurance of Florida, Inc.</b>	<b>Proposal 2 Insurance for Students, Inc.</b>
Current Rates Per Student*	Current Rates**	Current Rates**
School Time PK-6 \$6.00	School Time PK-6 \$ 10.00	School Time PK- 6 \$12.00
School Time 7-12 \$9.00	School Time 7-12 \$14.00	School Time 7-12 \$18.00
24 hr. \$31.00	24 hr. \$38.00	24 hr. \$60.00
Extended Dental \$2.00	Extended Dental \$2.00	Extended Dental \$3.20
	In-hospital Sickness \$40.00	
<b>Recommended Proposal</b>	<b>School Insurance of Florida</b>	

\* **Current rates based upon an out patient surgery limitation of \$4000 and emergency room benefit of \$250.00**

\*\* **Proposed rates based upon the removal of the outpatient surgery limitation**

The current student accident program includes an outpatient surgery limitation of \$4,000 and emergency room benefit limit of \$250, which was implemented two years ago in an attempt to limit premium increases. Request For Proposal (RFP) #055-EE10, was written to solicit proposals without this restriction, as it does affect families which have no other collectible insurance in the event of a claim, as well as the Sports Medicine Program, which agrees contractually to take the Student Accident Insurance coverage as payment in full for interscholastic athletes who incur a claim and have no other insurance coverage.

As a result of the negotiations which took place, both companies provided alternative quotations with restrictions on the requested coverage. School Insurance of Florida offered alternative quotations which included the expiring restrictions of outpatient surgery limitation of \$4,000 and emergency room payment of \$250; as well as an offering of an outpatient surgery limitation of \$5,000 and emergency room payment of \$300.

Insurance For Students, Inc. offered an alternative which would require students to seek medical care within a defined medical network, and if services were not provided in network, the benefits would be limited to 90% of stated limits. Although the alternatives resulted in some premium savings, the committee was of the opinion that the cost/benefit of implementing the coverage restrictions was not worth moving forward with that recommendation.

Upon further review, it was clear that in all instances, the quotations from School Insurance of Florida, Inc. were less expensive than the quotations from Insurance For Student, Inc. Therefore, the committee unanimously approved the recommendation for the student accident insurance program to be provided by Reliance Standard Insurance

Company, through School Insurance of Florida, Inc., with the proposed rate structure shown above without restrictions on outpatient surgery and emergency room benefits, inclusive of a two year rate guarantee, with an additional one year rate guarantee, based upon acceptable claims ratios.

**FOOTBALL INSURANCE**

<b>Current Program: McKinley Financial Services, Inc./ Life Insurance Company of North America</b>	<b>Proposal 1 McKinley Financial Services, Inc./ Life Insurance Company of North America</b>	<b>Proposal 2 Insurance for Students, Inc./ The MEGA Life and Health Insurance Co.</b>
Current Rates Per Student <b>\$121.00 Fall</b> (Board Pays \$85.00/Student Pays \$36.00) <b>\$25.00 Spring</b> (Board Pays \$13.00/ Student Pays \$12.00)	Proposed Rates* <b>\$147.55 Fall</b> (Board Pays \$105.55/Student Pays \$42) <b>\$36.50 Spring</b> (Board Pays \$18.50/Student Pays\$18.00)	Proposed Rates** <b>\$187.00 Fall</b> <b>\$39.00 Spring</b>
Current Board Subsidy Fall: \$319,430 Spring \$29,760 <b>Total: \$349,190</b>	Proposed Board Subsidy Fall: \$396,657 Spring: \$45,880 <b>Total: 442,537</b>	
<b>Recommended Proposal</b>	<b>McKinley Financial Services, Inc.</b>	

\* Rates based on \$6000 out patient surgery cap

\*\* Rates based on mandatory utilization of a provider network -- failure to utilize provider network would result in benefits being limited to 90% of stated limits

Pursuant to School Board Rule 6Gx13- 6A-1.161, Miami-Dade County Public School Athletic Manual, purchase of appropriate accident coverage for students participating in interscholastic athletics is mandatory. This requirement has been instrumental in providing basic coverage to athletes, many of whom do not have access to any other collectible insurance coverage. As such, the Board has established a practice of subsidizing the football insurance program for interscholastic football players in order to make the program affordable to families with students who participate in interscholastic football. The current annual budget is approximately \$350,000, and is considered a district priority program.

The significant increase in the proposed rates was very concerning to both staff and the members of the ad-hoc committee, because of the increased cost to both the Board and the student's families if the program was implemented. Staff requested alternatives from both companies, which would lead to less expensive premiums.

McKinley Financial Services, Inc. offered a flat total premium amount of \$645,000 for the 2005-2006 school year, covering fall and spring football seasons, subject to implementation of a benefits restriction of a \$6,000 cap on the outpatient surgery benefit. This \$645,000 annual premium was based upon the estimated athletic participants as reflected in the RFP of 3,758 student for fall and 2,480 for spring. Even

if additional students purchased the coverage, the maximum due to the carrier would be \$645,000.

Insurance For Students, Inc. developed a revised rate structure of \$187.00 for fall season, and \$39.00 for spring season, with such rates predicated on the mandatory utilization of the provider network under contract to them. Failure to seek services from the network resulted would result in benefits being limited to 90% of stated limits. When these rates are calculated with the base student counts utilized in the RFP, the annual premium which is generated would be \$799,466.

Based upon this information, the committee decided to focus on the proposal from McKinley Financial Services, and authorized staff to negotiate the proposed alternative program including a \$6,000 cap on outpatient surgeries, due to the significant cost savings in implementing the restriction. The committee representative from the Board's Sport's Medicine Program, Mr. David Parks, felt that this cap was workable for the medical providers who support the program for Board athletes.

Since the Board currently subsidizes approximately 70% of the fall season premium and approximately 50% of the spring season premium, the committee asked staff to formulate rates for fall and spring seasons, based upon McKinley's annual premium requirement of \$645,000, and prepare recommended subsidy levels. The following reflects the structure of the program recommended by the committee:

Fall season premium: \$147.55  
Spring season premium: \$ 36.50

The recommended subsidies are as follows:

**Fall Season:**

\$147.55 premium – Board pays \$105.55 (71%)/Student pays \$42.00 (29%)

**Spring Season:**

\$36.50 premium – Board pays \$18.50 (51%)/Student pays \$18.00 (49%)

Based upon the current fall and spring student count, the total premium that would be generated is \$645,013. Once the \$645,000 threshold is reached, no further premiums would be due and payable. A second year not to exceed total flat premium of \$741,750, representing a 15% increase, was provided as well.

Due to the increased premium on the football program, and the recommended Board subsidy, the committee is recommending an increase in the Board's Football Budget for fiscal year 2005-2006 of \$95,000.

**CATASTROPHIC ATHLETIC COVERAGE**

This program was initially awarded through the issuance of a Request For Proposal (RFP) issued by the Florida School Board Association/Florida School Board Insurance Trust (FSBA/FSBIT), through the Florida Educational Risk Managers Association (FERMA). Procuring this coverage is required to comply with the Florida High School Activities Association (FHSAA) requirement that all school districts in the State of Florida carry catastrophic medical coverage for athletes.

The policy provides coverage in excess of the \$25,000 maximum limit which applies to both the student accident and football accident policies. It provides a maximum medical benefit of \$5 million, and also provides a Catastrophe Cash Benefit of \$500,000. The current carrier is National Union Fire Insurance Company (AIG) (A.M. Best A++ IX), and the expiring annual premium is \$61,823.

**CATASTROPHIC ATHELTIC COVERAGE**

<b>CURRENT PROGRAM: National Union Fire Company</b>	<b>Proposal 1 Mega Life &amp; Health Insurance Company</b>
Annual Premium: \$61,823	Annual Premium: \$162,653
Coverage: \$5 Million Maximum limit and \$500,000 cash benefit \$25,000 Deductible (Student/Football Policy)	Coverage: \$5 Million Maximum limit and \$500,000 cash benefit \$25,000 Deductible (Student/Football Policy)
<b>Recommended Action:</b>	<b>Reject proposal and negotiate renewal directly with the current carrier not to exceed \$70,000</b>

One proposal was received in response to the RFP from Insurance For Students, Inc. Additionally, a letter was received from the current carrier, AIG, through Arthur J. Gallagher & Co., Inc. stating that their renewal quotation was made available on the day of the bid opening; therefore, they were unable to meet the bid deadline.

The original quotation received from The Mega Life and Health Insurance Company, through Insurance for Students for this coverage resulted in an annual premium of \$381,634.20. Staff felt that the carrier must have made a mistake on the quotation due to the huge increase in premium. Staff provided additional claims information to the insurer, beyond that which was provided in the RFP, in order to obtain a more competitive quotation. However, the revised quoted premium was only reduced to \$162,653. The renewal premium indication on the current program from AIG, which was made available to staff, represented an increase of under 10% which kept the annual premium under \$70,000.

Because only one proposal was received for the Catastrophic Program, and that proposal is significantly higher than the current premium, even after providing the carrier additional claims data, the committee recommended that the Board reject the proposal received from The Mega Life and Health Insurance Company, through Insurance For Students, Inc., and authorize staff to negotiate a renewal of the existing program with National Union Fire Insurance Company (AIG), through Arthur J. Gallagher & Co., with annual premiums for the program not to exceed \$70,000.

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

- award its student accident insurance coverage, pursuant to the terms of Request For Proposal (RFP)# 055-EE10, Student Accident and Athletic Accident Insurance Coverages, to Reliance Standard Insurance Company (A.M. Best A- IX), through School Insurance of Florida, Inc., effective August 1, 2005, for an initial three year term, subject to premium guarantees for the first two years of the program, and the third year to be the same, subject to acceptable claims ratios, with the third year rates to be brought back to the Board, prior to August 1, 2007 if there is a change.

School Year	2005-2006	2006-2007	2007-2008
School Time			
PK-6	\$10.00	\$10.00	\$10.00*
School Time			
7-12	\$14.00	\$14.00	\$14.00*
24 Hour	\$38.00	\$38.00	\$38.00*
Dental	\$ 2.00	\$ 2.00	\$ 2.00*
In-Hospital	\$40.00	\$40.00	\$40.00

\*rate subject to acceptable loss ratio, with rate change to be brought back to the Board, prior to third year renewal

- award its football accident insurance program, pursuant to the terms of Request For Proposal (RFP)# 055-EE10, Student Accident and Athletic Accident Insurance Coverages, to Life Insurance Company of North America (A. M. Best A-XV), through McKinley Financial Services, Inc., effective August 1, 2005, for an initial three year term, with a second year rate increase not to exceed 15%, and the third year rates to be brought back to the Board prior to renewal if there is an increase from year two, with initial year's flat annual premiums not to exceed \$645,000, which produces the following rates:

School Year	Fall Premium	Spring Premium
2005-2006	\$147.55	\$36.50

3. authorize expenditures for the Board subsidy for fall and spring football season's insurance premiums with the Board paying \$105.55 and the athlete paying \$42.00 equaling a total fall football premium of \$147.55 for the 2005-2006 football season; and the Board paying \$18.50 and the athlete paying \$18.00 equaling a total spring football premium of \$36.50 for the 2005-2006 spring football season; with second year Board subsidies to be proportionate to the first year's subsidies, based upon a maximum 15% increase for the fall and spring football seasons of the 2006-2007 school year, with funding for this contribution to be taken from the Football Insurance Budget (Fund 0100, Object 5321, Location 9112, Program 9883, Function 7730);
4. authorize an increase of the football insurance budget (Fund 0100, Object 5321, Location 9112, Program 9883, Function 7730), for the 2005-2006 school year in the amount of \$95,000, for a total football budget of \$445,000, and;
5. reject the one proposal received from The Mega Health and Life Insurance Company, through Insurance For Students, Inc., in response to the Request For Proposal (RFP)# 055-EE10, Student Accident and Athletic Accident Insurance, for the Catastrophic Athletic Accident coverage, due to the significant increase in cost over the current program, and authorize staff to enter into negotiations with the current carrier, National Union Fire Insurance Company (AIG), through Arthur J. Gallagher & Co., Miami, Florida, for renewal of the current program, effective August 1, 2005, with annual premiums not to exceed \$70,000.

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