

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: RENEWAL OF COMPREHENSIVE FIDELITY BONDS AND RELATED PROGRAMS

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

Procurement of fidelity bonds for School Board employees is required pursuant to Section 1001.42(10)(h), Florida Statutes. Various types of fidelity bonds cover district employees for risks which include crime and faithful performance. Such bonds include the following:

- Public Official Blanket Bond for all district employees
- Public Official Named Position Bond for 6 employees in Treasury Management
- Board Member Bonds
- Chair and Vice Chair Bonds
- Superintendent Bond
- Notary Bonds
- JROTC Bonds
- Police Officers Special Security Bond (pursuant to 6Gx13- 4A-1.095)

The current program has been in place for the past three years and expires on June 1, 2008. At the time of the last renewal, the fidelity market was very restrictive due to claims against surety companies.

While the market has improved, there is a very viable concern that the fallout of the sub-prime mortgage crisis could affect the Directors & Officers Liability market and the fidelity bond marketplace.

Staff believes that negotiating renewal terms with its existing sureties is the best strategy for the upcoming renewal. This strategy is permissible under State Board Rule 6A-1.012(11) which stipulates that a district school board, when purchasing insurance, entering risk management programs, or contracting with third party administrators, may make any such acquisitions through the bid process or by direct negotiations and contract.

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Following negotiations with various markets, through Arthur J. Gallagher & Co., staff believes that the renewal provided by the current sureties represents the most aggressive terms available in today's surety market. These terms include taking advantage of premium savings through additional retention of risk, and the enhancement of the program through additional coverage provisions on the Public Official Blanket Bond.

The recommended program as compared to the expiring program is as follows:

Current Program:

	Public Official Blanket Bond	Public Official Named Position	Security Officers
Surety:	Zurich/F&D	Liberty Mutual	Liberty Mutual
Limits:	\$25 million	\$15 million/emp.	\$5,000/officer
Deductible:	\$50,000/occ.	\$0	\$250/occ.
Ann. Premium:	\$100,524	\$214,337	\$2,691 (based on 186 officers)

Total Annual Premiums for Current Program: \$317,552

Recommended Renewal Program:

	Public Official Blanket Bond 3-year term	Public Official Named Position Annual Term	Security Officers Annual Term
Surety:	Zurich/F&D (A.M. Best A+XV)	Liberty Mutual (A.M. Best A+XV)	Liberty Mutual (A.M. Best A+XV)
Limits:	\$25 million	\$15 million/emp.	\$5,000/officer
Deductible:	\$100,000/occ.	\$0	\$250/occ.
Ann.Premium:	\$88,010.93*	\$216,478.37*	\$3,232.00* (based on 213 officers)

*premiums include 1% Florida Hurricane Catastrophe Fund Assessment, Florida Emergency Assessment Surcharge and Florida Insurance Guarantee Association Surcharge

Total Annual Premiums for Renewal Program: \$307,721.30

Total Annual Premium Savings: \$9,830.70

The main coverage provided by employee dishonesty fidelity bonds is employee theft. Recommended coverage enhancements for the Public Official Blanket Bond program's renewal include the following:

- Forgery or Alteration - \$1 million per loss
- Inside the Premises – Theft of Money and Securities - \$1 million per loss
- Outside Premises - \$1 million per loss
- Computer Fraud - \$1 million per loss
- Claim Expenses - \$100,000

All other bonds being secured are quoted at the expiring rates of \$100, plus applicable state fees and surcharges including Public Official Bonds for School Board Members; Chair and Vice Chair, Superintendent of Schools, Governmental Bonds for JROTC programs and Notary Bonds.

Since the Public Official Blanket Bond has been quoted for a three-year term, staff is recommending that the Board authorize a three-year program for all types of bonds quoted, with any changes in premiums, terms, or conditions to be brought back to the Board for further authorization.

RECOMMENDED:

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

1. authorize renewal of its Public Official Blanket Bond coverage, covering all employees, and as excess coverage for those employees covered by the Public Official Named Position Bond coverage. Coverage will provide limits of \$25 million per loss, subject to a per loss deductible of \$100,000, for a three-year term, with annual installments of \$88,010.93, effective June 1, 2008 to June 1, 2011. Coverage will be provided by Fidelity & Deposit Insurance Company/Zurich, through Arthur J. Gallagher & Co. Coverage will include enhancements as negotiated, including sublimits of \$1 million per loss for Forgery or Alteration; Inside Premises Theft of Money; Outside Premises; Computer Fraud and Funds Transfer Fraud and \$100,000 per loss for Claims Expenses Incurred; and

2. authorize renewal of its Public Official Named Position Bond coverage, covering six (6) stipulated employees in the Office of Treasury Management, with limits of \$15 million per occurrence with an annual premium of \$216,478.37, from Liberty Mutual Insurance Company, through Arthur J. Gallagher & Co., for a three-year term effective June 1, 2008 to June 1, 2011. Any changes in authorized terms or conditions during that three-year period will be brought back to the Board prior to renewal; and
3. authorize renewal of its Public Employee Positions Bond for Security Officers, with a per officer limit of \$5,000, subject to an initial reporting of 213 officers, at an annual premium of \$3,232, subject to a deductible of \$250 per loss. Coverage will be provided by Fidelity & Deposit/Zurich, through Arthur J. Gallagher & Co., for a three-year term, effective June 1, 2008 to June 1, 2011. Any changes in authorized terms or conditions during that three-year term will be brought back to the Board prior to renewal; and
4. authorize renewal of ancillary Public Official Bonds, including, but not limited to Notary Bonds, Chair and Vice Chair Bonds, Board Member Bonds, Superintendent's Bond, and JROTC Bonds, at expiring rates of \$100 plus applicable state fees and surcharges. Coverage will be provided by Liberty Mutual Insurance Company, through Arthur J. Gallagher & Co., for a three-year term, effective June 1, 2008 to June 1, 2011. Any changes in authorized terms or conditions during that three-year term will be brought back to the Board prior to renewal.