

Business Operations
Ofelia San Pedro, Deputy Superintendent

SUBJECT: REQUEST FOR RENEWAL OF EXISTING COVERAGES INCLUDING FACILITIES USE, EXCESS LIABILITY, POLICE PROFESSIONAL LIABILITY, WLRN PACKAGE LIABILITY, EXCESS WORKERS' COMPENSATION AND BOILER AND MACHINERY COVERAGE

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO DISTRICT STRATEGIC PLAN: IMPROVE FINANCIAL SERVICES

State Board Rule 6A1-1.012(11) allows a district School Board to purchase insurance, enter risk management programs, or contract with third party administrators by direct negotiations and contract. Staff is recommending the renewal of the following insurance coverages with an effective date of July 1, 2008:

FACILITIES USE POLICY

At the Board meeting of June 13, 2007, the Board authorized renewal of this program which makes insurance coverage available to outside entities that utilize district facilities. School Board Rule 6Gx13- 1D-1.10, Use of School Board Facilities – Application and Approval requires outside users of School Board facilities to provide liability insurance coverage. The Office of Risk and Benefits Management is responsible for obtaining and verifying coverages provided by outside entities that rent the School Board facilities. If the renter does not have the required coverage; the renter can procure such coverage through the Board's Facilities Use Policy.

The deposit premium for the 2007-2008 policy with Western Heritage Insurance Company was \$12,535. Premiums collected from users of this policy for scheduled activities through the end of the fiscal year is \$10,632 as of May 20, 2008, which offsets the Board's costs for this program.

Renewal terms of this coverage, effective July 1, 2008 through June 30, 2009, including the deposit premium, 1% Florida Hurricane Catastrophe Fund Assessment and Federal TRIEA (terrorism) coverage, is \$13,291.25. A report listing the entities that utilized this policy during fiscal year 2007-2008, and special events pricing, is being provided to the Board under separate cover.

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EXCESS LIABILITY INSURANCE

At the Board meeting of June 13, 2007, the Board authorized renewal of the fourth year of a five year program, effective July 1, 2007 to June 30, 2008 with a premium decrease for a total annual expiring premium, inclusive of all state required fees, of \$338,565.13.

This unique program combines the best of self insurance with a transfer of risk on a catastrophic basis and provides the district needed latitude for liability claims including general liability, automobile liability and professional liability/errors & omissions coverages. The district has saved approximately \$9,000,000 since the program's inception in 1991. Limits of coverage are \$500,000 per claim for torts including general/automobile liability, subject to a per claim self insured retention of \$100,000/\$200,000, in conformance with statutory immunity provided pursuant to the provisions of Section 768.28, Florida Statutes. Professional Liability/Errors & Omissions coverage is provided with limits of \$1,000,000 per loss, subject to a flat \$200,000 self insured retention with all coverages subject to an annual aggregate of \$3,250,000.

The current carrier, United Educators Risk Retention Group was specifically developed to insure and provide support to all educational institutions including K-12 public, private and parochial schools. In addition to providing excess coverage, the value added benefits of this relationship include access to materials related to school liability, loss prevention, and seminars provided by national experts in the field of education liability.

Staff has successfully negotiated a further premium decrease of \$40,826.13 from the current expiring premium of \$338,565 to \$297,739 for the final year of the current authorization, effective July 1, 2008 to June 30, 2009. Therefore, staff is seeking authority for renewal of the final year of the current five-year program.

POLICE PROFESSIONAL LIABILITY

At the Board meeting of June 13, 2007, the Board authorized renewal of this coverage through Lexington Insurance Company with limits of \$5 million per wrongful act/\$5 million annual aggregate, subject to a per wrongful act deductible, including defense costs of \$100,000. The annual premium for the expiring program is \$144,430, inclusive of state required fees.

Staff has been successful in obtaining a renewal for this coverage with no increase in premium, effective July 1, 2008 to June 30, 2009. An option was presented by the carrier to move from the current deductible platform to a self insured retention platform; however, staff believes there is no real advantage to changing the current terms of the program and is recommending the renewal as is.

WLRN PACKAGE LIABILITY

Renewal of this liability insurance program for the operations of WLRN Radio and Television was authorized by the Board at the Board meeting of June 13, 2007. Previous renewals included property insurance coverage for broadcasting equipment and the District owned tower, but that coverage was placed under the district's property insurance program at last year's renewal.

The district currently leases space on a broadcasting tower owned by Channel 2 to house its Channel 17 antenna. This current lease which became effective February 1, 2007, includes a requirement for the district to carry acceptable liability insurance with limits not less than \$2 million. While the lease agreement was entered into for a five year period, due to the FCC's requirement to go digital on February 1, 2009, the analog antenna on Channel 2 will cease to function as of that date. Until the antenna is removed from the Channel 2 tower, the Board's contractual liability will continue.

Expiring premiums include \$4,285 for the primary program which provides \$2 million of coverage by Vigilant Insurance Company, and \$2,216.95 for the umbrella coverage which provides \$1 million of coverage by Federal Insurance Company. Renewal premiums for these coverages have increased, effective July 1, 2008, with the primary coverage increasing \$1,433.72 to \$5,718.72 and the umbrella coverage increasing \$71.30 to \$2,288.25. The premium base of these coverages is the cost of annual operations which increased, predominately due to an increase in salaries. Staff is recommending renewal of these coverages to comply with the lease agreement with Channel 2, as well as the Public Broadcasting Service (PBS) requirements for liability coverages.

EXCESS WORKERS' COMPENSATION COVERAGE

The second year of a three year program was authorized at the Board meeting of June 13, 2007 to provide excess coverage for workers' compensation claims with Statutory limits for Coverage Part A, pursuant to Chapter 440, Florida Statutes, and \$3,000,000 per occurrence/annual aggregate for Coverage Part B, Employers Liability, subject to a per occurrence self insured retention of \$1,000,000.

This very strategic program with Liberty Mutual Insurance Company provided a three year policy with annual rate decreases to become effective, subject to favorable claims experience. Last year's renewal rate of .1088, per \$100/payroll, was slightly lower than the initial year's renewal rate of .1089. As a result of continued favorable claims experience under this program, the renewal rate for coverage effective July 1, 2008 to June 30, 2009 is being reduced by 7.3% from .1088 to .1009, which includes the premiums for the Terrorism Risk Insurance Program Reauthorization Act for 2007 (TRIPRA).

Premiums are paid on a deposit basis, based upon known payrolls, with actual premiums paid on an audit basis, subject to actual incurred payrolls. Total deposit premium for the coverage effective July 1, 2008 to June 30, 2009 is \$2,082,438, subject to final audit of payrolls for 2008-2009, resulting in a \$1.8% premium decrease from last year's deposit premium. The 1% Florida Hurricane Catastrophe Fund Assessment does not apply as workers' compensation policies are excluded from the assessment.

On a statewide basis, the cost of workers' compensation claims continues to rise. However, the costs associated with Miami-Dade County Public Schools' self insured program have held very steady for the past two fiscal years, in conjunction with the declining cost of excess coverage.

Factors attributable to this success include the strategic focus the district has taken in the medical management of its workers' compensation claims. This approach involves having the injured employee, the adjuster and the treating physician in constant communication to obtain the most aggressive treatment possible, with provider outcomes being measured to determine cost-effectiveness.

Liberty Mutual has offered an extension to the existing program, including a further rate **decrease** for 2009-2010 of 15%, and a flat renewal for 2010-2011, subject to continued favorable claims experience. Staff believes that the district should take advantage of this very aggressive offer and authorize an extension to the current program.

BOILER AND MACHINERY COVERAGE

The Board purchases insurance coverage on its boilers, air conditioning systems and other vessels, pursuant to the requirements contained within Section 230.23(9) (d), Florida Statutes. Besides providing coverage for equipment breakdown, the district's boiler and machinery program with Hartford Steam Boiler Insurance and Inspection Company (HSB) provides full inspection services with a dedicated representative from the carrier inspecting and filing inspection certificates with the State of Florida.

The current program was authorized for a three-year program, effective September 13, 2005 through September 12, 2008 at a flat rate of .00198387 per \$100 total insured values. The expiring annual premium for coverage in effect September 13, 2007 to September 13, 2008 is \$137,567.05, based upon 2007-2008 total insured values of over \$6.8 billion.

HSB has offered a very aggressive new three-year proposal with the expiring \$50 million limit of liability, in conjunction with two additional renewal options with coverage enhancements and higher limits. The options, based upon current total insured values of over \$7.6 billion are as follows:

	Option I	Option II	Option III
Limit of Coverage	\$50 Million	\$50 Million	\$100 Million
Deductible	See Below*	\$10,000	\$10,000
Service Interruption	\$10 Million	\$50 Million	\$100 Million
Service Interruption			
Waiting Period	24 Hours	4 Hours	4 Hours
Perishable Goods	\$1 Million	\$50 Million	\$100 Million
Expediting Expense	\$1 Million	\$50 Million	\$100 Million
Hazardous Sub.	\$1 Million	\$2 Million	\$2 Million
Total Premium	\$155,489.50	\$171,745.45	\$174,925.94
% increase	13%	24.8%	27.2%
Rate	.002/\$100	.0022091/\$100	.002250/\$100
	values	values	values

*** \$10,000 except AC & Refrigeration which is \$25/horsepower**

Staff has conducted an analysis of the updated district property total insured values of \$7.6 billion and finds that \$2.1 billion or 27.63% of the total insured values represent locations valued at \$50 million or more. With that risk factor of having a loss in which 27% of district owned locations would be underinsured with current limits in the event of a total loss, staff believes that the expenditure of \$19,436.44 to double the policy limits in addition to significantly increasing the offered sublimits is a good investment. Therefore, staff is recommending a new three-year program, based upon Option III, at a rate of .002250 per \$100 total insured values, subject to no rate increases, as long as the loss ratio remains under 30%, subject to updated annual property values.

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

1. authorize renewal of the district's Facilities Use Insurance Program with Western Heritage Insurance Company (A. M. Best A+ XV), through Arthur J. Gallagher & Co., effective July 1, 2008 through June 30, 2009, with annual deposit premiums, including Federal TRIEA coverage and state-required Florida Hurricane Catastrophe Fund fees, of \$13,291.25;
2. authorize renewal of the district's Excess General/Automobile/Professional Liability/Errors & Omissions coverage with United Educators Risk Retention Group (A.M. Best A VIII), through Arthur J. Gallagher & Co., effective July 1, 2008 through June 30, 2009, with an annual premium of \$297,739;
3. authorize renewal of Law Enforcement and Professional Liability Insurance coverage with Lexington Insurance Company (AIG)(A++XV), through Arthur J. Gallagher & Co., effective July 1, 2008 through June 30, 2009, with an annual premium of \$144,430;
4. authorize renewal of the district's Liability Insurance coverage for WLRN Radio/TV with Vigilant Insurance Company (A.M. Best A+ XV) for the primary coverage, and Federal Insurance Company (A.M. Best A+ XV) for the umbrella coverage, through Arthur J. Gallagher & Co., effective July 1, 2008 through June 30, 2009 with premiums of \$5,718.72 and \$2,288.25, respectively;

5. authorize the third year renewal of the district's Specific Excess Workers' Compensation coverage with Liberty Mutual Insurance Company (A.M. Best A XV), through Arthur J. Gallagher & Co., effective July 1, 2008 through June 30, 2009, at a rate of .1009/\$100 payroll, including coverage for TRIPRA, with a deposit premium for 2008-2009, subject to audit of actual incurred payrolls for that period of \$2,082,438. Staff is also recommending an extension of the program effective July 1, 2009 through June 30, 2010 including a rate decrease of 15% and a flat renewal for July 1, 2010 through June 30, 2011, subject to continued favorable claims experience; and

6. authorize renewal of its Boiler and Machinery coverage for a three year program with Hartford Steam Boiler Insurance and Inspection Company (A.M. Best A+ XV), through Arthur J. Gallagher & Co., effective September 13, 2008. The recommended program is inclusive of coverage enhancements to serve interruption, including the associated waiting period, perishable goods, and expediting expenses. Recommended policy limits for this program are being increased from \$50 million per loss to \$100 million per loss at a rate of .002250 per \$100 total insured values, with a base of \$7.6 billion for 2008-2009 renewal. An annual premium for 2008-2009 will be \$174,925.94, and the rate will remain constant for the three year period as long as the loss ratio remains at 30% or less.

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