

Financial Affairs  
Richard H. Hinds, Chief Financial Officer

**SUBJECT: RENEWAL OF COMPREHENSIVE FIDELITY BONDS AND RELATED PROGRAMS**

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

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

At the Board meeting of December 15, 2010, the Board awarded its Property and Casualty Insurance Broker Services contract to Arthur J. Gallagher Risk Management Services, Inc. (Gallagher), pursuant to Request For Qualifications (RFQ) #004-LL10, for Property and Casualty Insurance Broker Services, effective January 1, 2011. The following recommended insurance renewals/placements are subject to the brokerage contract's provisions:

Procurement of fidelity bonds for School Board employees is required pursuant to Section 1001.42(10)(h), Florida Statutes as well as Board Policy 8740-Bonding. 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 employees in Treasury Management
- Board Member Bonds
- Superintendent Bond
- Notary Bonds
- JROTC Bonds

At the May 11, 2011 Board Meeting the Board authorized the renewal of the District's comprehensive fidelity bonds and related programs for a one-year term with two optional one-year renewals. In anticipation of the completion of the current term staff has begun negotiations with various markets through Arthur J. Gallagher Risk Management Services, Inc., the District's Broker, in order to continue the required fidelity bond and related program coverage.

Following negotiations with various markets, the District's Broker, Arthur J. Gallagher Risk Management Services, Inc., and staff believe that the renewal provided by the current sureties represents the most aggressive terms available in today's surety market.

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## **Blanket Employee Dishonesty Bond**

During the term of the Employee Dishonesty Blanket Bond Program staff has reported Four (4) claims for employee dishonesty against the School Board and has recovered from the Bonding Company a total of \$530,015.36 which has been subsequently placed back into the general fund.

The expiring Named Position Bond Program has coverage provided by Fidelity Deposit Company of Maryland (A.M. Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc. has limits of \$25 million per occurrence and a \$50,000 deductible with an annual premium of \$87,019.93 including all fees.

The program was marketed to at least five insurance companies however, as result of the loss history there was limited interest in the program with most of the companies only willing to quote excess coverage.

Fidelity Deposit Company of Maryland (A.M. Best A+, XV) was willing to renew the program but with an increase in premium as well as an increase in the deductible from \$50,000 to \$100,000. They have offered two options:

**Option 1:** Fidelity Deposit has offered to renew the program for a one-year period effective June 1, 2014 to May 30, 2015 with limits of \$25 million per occurrence and a \$100,000 deductible with an annual premium of \$101,790.63 including all fees.

**Option 2:** Fidelity Deposit has offered to renew the program for a three-year term effective June 1, 2014 to May 30, 2017 with limits of \$25 Million per occurrence and a \$100,000 Deductible with annual premium Of \$106,882.18 including all fees. The three year term is subject to an annual re-rate or non-renewal if any losses are incurred; however, if no losses occur then the three year premium guarantee would apply.

Staff is recommending renewal of The expiring Named Position Bond Program with coverage provided by Fidelity Deposit Company of Maryland (A.M. Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc., for a three-year term effective June 1, 2014 to May 30, 2017 with limits of \$25 Million per occurrence and a \$100,000 Deductible with annual premium of \$106,882.18 including all fees subject to an annual re-rate or non-renewal if any losses are incurred.

## **Public Official Named Position Bonds**

The expiring Named Position Bond Program has coverage provided by Liberty Mutual Insurance Company (AM Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc.; covering six (6) stipulated employees in the Office of Treasury Management, with limits of \$15 million per occurrence and a \$0 deductible with an annual premium of \$218,016.00 including all fees.

Liberty Mutual Insurance Company has agreed to renew The Named Position Bonds at the expiring rates with limits of \$15 million per occurrence and \$0 deductible with an annual premium of \$218,016.00 including all fees.

Staff is recommending that the Board authorize the renewal of the named Position Bond Program at the expiring rates with coverage provided by Liberty Mutual Insurance Company (AM Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc.; covering up to six (6) stipulated employees in the Office of Treasury Management, with limits of \$15 million per occurrence and a \$0 deductible with an annual premium of \$218,016.00 including all fees, with coverage provided for a one-year term, effective June 1, 2014 to May, 30 2015 with two optional one-year renewals with any changes in premiums, terms or conditions to be brought back to the Board for further authorization.

### **Ancillary Public Official Bonds**

Staff is recommending the renewal of the following ancillary Public Official Bonds: Notary Bonds, Board Member Bonds, Superintendent's Bond and JROTC Bonds, at expiring rates of \$100 per bond plus applicable state fees and surcharges, with coverage provided by Liberty Mutual Insurance Company (AM Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc., for a one-year term effective June 1, 2014 to May 30, 2015, with two optional one-year renewals 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 The Expiring Named Position Bond Program with coverage provided by Fidelity Deposit Company of Maryland (A.M. Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc., for a three-year term effective June 1, 2014 to May 30, 2017 with limits of \$25 Million per occurrence and a \$100,000 Deductible with annual premium of \$106,882.18 including all fees subject to an annual re-rate or non-renewal if any losses are incurred and;
2. authorize the renewal of The Named Position Bond Program at the expiring rates with coverage provided by Liberty Mutual Insurance Company (AM Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc.; covering up to six (6) stipulated employees in the Office of Treasury Management, with limits of \$15 million per occurrence and a \$0 deductible with an annual premium of \$218,016.00 including all fees, with coverage provided for a one-year term, effective June 1, 2014 to May, 30 2015 with two optional one-year renewals with any changes in premiums, terms or conditions to be brought back to the Board for further authorization and;
3. authorize renewal of the following ancillary Public Official Bonds: Notary Bonds, Board Member Bonds, Superintendent's Bond and JROTC Bonds, at expiring rates of \$100 per bond plus applicable state fees and surcharges, with coverage provided by Liberty Mutual Insurance Company (AM Best A+, XV) through Arthur J. Gallagher Risk Management Services, Inc., for a one-year term effective June 1, 2014 to May 30, 2015, with two optional one-year renewals with any changes in premiums, terms or conditions to be brought back to the Board for further authorization.