

Financial Affairs
Richard H. Hinds, Chief Financial Officer

SUBJECT: STUDENT ACCIDENT AND FOOTBALL ACCIDENT INSURANCE

At the Board meeting of March 15, 2000, the Board authorized renewal of both the student accident insurance program and the football accident insurance program, through the end of the 2001-2002 school year. This recommendation was made because both programs were being administered effectively, and the carriers and administrators of both programs were willing to renew the programs with no increase in rates. The student accident program is underwritten by Hartford Insurance Company through School Insurance of Florida, Inc. The football accident insurance program is underwritten by Legion Insurance Company, through McKinley Financial Services, Inc., a certified minority firm. This renewal was in accordance with the terms of RFB 298-RR-10, Request For Bids for Student Accident Insurance and Football Accident Insurance, which authorized an initial five year term, with the ability to extend the agreement for additional one year terms, subject to mutual agreement of both parties.

Pursuant to authority provided by State Board Rule 6A-1.012(11), wherein the Board may enter into contracts for risk management and insurance through either the bid process, or through direct negotiations, and the provisions of RFB 298-RR-10, staff is recommending that the present program be renewed for school year 2002-2003, with no increase in rates. This recommendation is being made because of the "value added" benefits the carrier is willing to provide, as well as the stability of this program which has resulted in no premium increases for students/parents, as well as the Board. Additionally, staff is very concerned about the state of the insurance marketplace which is reeling from the effects of the events of September 11, 2001, resulting in some insurance carriers being placed in state receivership and ultimate liquidation.

SCHOOL ACCIDENT INSURANCE

The Miami-Dade County School Board has provided a voluntary student accident insurance program to its students for years. This low cost accident coverage is offered to all students at the beginning of each school year, and is also offered to new students entering M-DCPS throughout the year. Students purchase the coverage voluntarily at their own expense, however, the following School Board Rules require the purchase of the Board approved accident insurance programs:

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6Gx13- 6A-1.34, Community Schools, and the Community Schools Procedures Manual, which is incorporated by reference as part of that rule, requires students upon registration who enroll in School Board run before/after school care programs, to purchase the basic "school time only" student accident insurance; and

6Gx13- 6A-1.161, Interscholastic Athletics - High School, which requires athletes participating in interscholastic athletics to purchase the appropriate accident insurance coverage (student accident for all interscholastic athletics other than football, and football accident for interscholastic football).

Both policies have a provision to pay incurred claims, in addition to any other collectible insurance, in the event that a student does have medical coverage.

Since a majority of M-DCPS students do not have health insurance, and therefore do not have access to healthcare, the student accident insurance provides low cost coverage to pay for medical bills incurred as a result of injuries. The ability to have an injured student's medical bills paid by this coverage also provides insulation to the Board from litigation arising out of student accidents. Under state law, the Board does not have legal authority to gratuitously pay medical bills incurred by injured students, unless it can be proven that the Board was legally liable for the injury due to negligence, etc.

Last year, negotiations occurred with School Insurance of Florida, Inc. for renewal of the present student accident insurance program with included significant benefit improvements, with no rate increases. The benefit improvements included:

- First office visit increase from \$45 to \$50
- X-ray benefit increase from \$75.00 to \$150
- Additional benefit of first physician visit in a hospital ER of \$60
- Additional benefit of follow-up physician visit in ER of \$50

For the upcoming year, School Insurance of Florida, Inc. is willing to improve the physiotherapy benefit from \$30 per day (max. benefit of \$300) to \$45 per day (max. benefit of \$450) with no increase in rates. Additionally, they are willing to work with staff to provide an electronic means of inforce, which would provide up to date information for coaches and teachers who need to know who has purchased this coverage. They are also willing to offer a second year renewal (school year 2003-2004) at existing rates.

FOOTBALL INSURANCE

Years ago the football insurance coverage was part of the student accident insurance program. As a result of the increased risk, a separate coverage was sought, as fewer companies provided this type of coverage. As stipulated in this item, all interscholastic football players are required to purchase the coverage for both the fall and spring football seasons.

Because the Board has recognized the value of the football insurance program, which coordinates its benefits with the Board's state of the art Sports Medicine Program, whereby the participating medical providers agree to take the benefits from this policy as payment in full for treatment of athletic accidents, the Board made a financial commitment to subsidize the cost of the program. Currently, the Board pays \$69 towards the fall premium of \$99, and pays \$10 of the \$20 spring premium. By subsidizing the cost of this program, the Board has provided full access to its interscholastic football program for all student athletes, including those who could not afford to pay the entire premium. By ensuring that the students are covered, the Board has guaranteed medical benefits for those athletes who are injured, which also insulates it from litigation which could arise out of a football accident.

The current program is underwritten by Legion Insurance Company. On February 19, 2002, A.M. Best Company, which provides financial ratings and other important information on insurance companies, downgraded the A- (Excellent) financial strength rating of Legion Insurance Group to B (Fair), with a negative outlook. This downgrading occurred following that day's announcement by the company's parent, Mutual Risk Management LTD, that the Legion Insurance Group was forced to materially increase reserves for incurred losses, the majority of those losses being incurred by Legion Insurance Company.

Staff notified McKinley Financial Services, Inc. in a letter dated March 4, 2002, that the downgrading of the insurer was of grave concern and that alternative carriers had to be pursued. On March 29, 2002, Pennsylvania Insurance Commissioner M. Diane Koken announced that the Commonwealth Court had granted her petitions for Orders of Rehabilitation for Legion Insurance Company, which would take effect April 1, 2002. This action provided an ability to halt further financial deterioration of the insurance company and provided protection for policyholders.

Following lengthy negotiations, McKinley Financial Services, Inc. has been successful in finding a replacement insurance company to provide a renewal program for the 2002-2003 school year at existing rates. The recommended carrier is Life Insurance Company of North America (LINA), a CIGNA company which is rated by A+ by A.M. Best Co.

The School Board also carries a catastrophic athletic accident program which provides a combination of excess medical benefits, along with cash payments to a catastrophically injured athlete for other expenses. This program, underwritten by Mutual of Omaha (A.M. Best A XIV) was purchased through the issuance of a Request For Proposal (RFP) issued by the Florida School Board Association/Florida School Board Insurance Trust (FSBA/FSBIT) to comply with the Florida High School Activities Association's (FHSAA) requirement that all school district carry catastrophic athletic accident coverage. At the Board meeting of August 22, 2001, the Board authorized renewal of that program for both the 2001-2002 and 2002-2003 school years. The annual premium for the 2002-2003 school year for this program is \$61,500.

RECOMMENDED:

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

1. renew its student accident insurance program, pursuant to the terms and conditions of Request for Bid (RFB)# 298-RR-10, to ITT Hartford Life Insurance Company (A.M. Best A++XI), through School Insurance of Florida, Orlando, Florida, for a one-year period, effective the first day of the fall term for the 2002-2003 school year, through the first day of the 2003-2004 school year, with an additional one-year renewal authorized if rates, coverages, terms and conditions do not change, not to exceed two years, coinciding with the first day of the fall term for the 2004-2005 school year, at the following rates:

LOW OPTION

SCHOOL TIME ONLY (K-6): \$ 6.00

SCHOOL TIME ONLY (7-12): \$ 9.00

HIGH OPTION

SCHOOL TIME ONLY (K-6): \$11.00

SCHOOL TIME ONLY (7-12): \$20.00

LOW OPTION

24-HOUR \$31.00

HIGH OPTION

24-HOUR \$50.00

OPTIONAL DENTAL \$ 2.00

2. renew its football accident insurance program, pursuant to the terms and conditions of RFB# 298-RR-10, to Life Insurance Company of North America (LINA), a CIGNA Company, through McKinley Financial Services, Inc., for a one-year period, effective the first day of football practice for the 2002-2003 school year, at existing rates of \$99.00 per enrolled student for the fall season, and \$20.00 per enrolled student for the spring season, at existing benefit schedules;
3. authorize staff to begin working on a Request For Proposal (RFP) for football accident insurance coverage to be brought back to the Board for authorization to release such RFP, with coverage to begin the first day of football practice for the 2003-2004 football season; and

4. authorize expenditures for the Board subsidy for fall and spring football season's football insurance premium with the Board paying \$69 and the athlete paying \$30, equaling the total fall football premium of \$99 per enrolled athlete, and the Board paying \$10 and the athlete paying \$10, equaling the total spring premium of \$20 per enrolled athlete, funding for this contribution to be taken from the football insurance budget (Fund 0100, Object 5321, Location 9112, Program 9883, Function 7730).

The appropriation for this item will be included in the 2002-2003 Tentative Budget to be recommended for adoption by the Board in July 2002.