

Financial Affairs
George M. Burgess, Chief Financial Officer

SUBJECT: RENEWAL OF WLRN RADIO AND TELEVISION INSURANCE COVERAGES

COMMITTEE: BUSINESS AND FINANCIAL SERVICES

At the Board meeting of June 19, 2002, the Board authorized renewal of the broadcaster's package policy for WLRN radio and television, with Vigilant Insurance Company (CHUBB) (A.M. Best A++ XV), effective July 1, 2002 to July 1, 2003. Pursuant to the authorization provided in State Board Rule 6A-1.012(11), wherein the Board may purchase insurance by direct negotiations and contract, authorization is sought to renew this program.

The current broadcaster's package includes general liability coverage for \$1 million per occurrence with a \$2 million annual aggregate. The property portion provides coverage for loss of personal property and transmitter/studio equipment at four locations. The following chart reflects the locations with expiring values and updated values, reflecting an increase in values of \$727,000:

<u>LOCATION</u>	<u>EXPIRING VALUES</u>	<u>UPDATED VALUES</u>
#1 695 N.W. 199 St. Miami, Florida	\$1,060,000	\$1,147,000
#2 3300 S.W. 52 nd Ave. Hollywood, Florida	\$ 525,000	\$1,000,000
#3 1450 N.E. 2 nd Ave. Miami, Florida	\$ 85,000	\$ 150,000
#4 111 N.W. 1 st Street Miami, Florida	\$ 200,000	\$ 300,000
TOTAL	\$1,870,000	\$2,597,000

**REPLACEMENT
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Additionally, the Board's newly built tower, building and equipment at location #2, consist of values of \$10,800,000. Because of the restrictive nature of the current property insurance market, and the concern over windstorm exposure of the new tower, the underwriter for the carrier has declined to offer property coverage for this new equipment, however they are agreeable to extend the liability coverages to include the exposures associated with the newly built tower and equipment.

The Board currently carries stand alone property coverage, including coverage for windstorm on its existing broadcasting equipment for WLRN, as part of its comprehensive all risk property insurance coverage. The coverage which took effect on May 1, 2003 for this WLRN equipment is insured by Allianz Insurance Co. (A.M. Best A XV), covers equipment located at 8 locations in Miami-Dade County, and throughout the Florida Keys. Of the \$10,650,000 of values reported at renewal, \$4,335,000 was reported to be associated with the newly erected tower and associated equipment. Now that the underwriter for the WLRN Broadcasters package policy has declined covering any of this new equipment, all \$10,800,000 of values will need to be reported to Allianz Insurance Co. to be covered under the master property program. Current annual premium for the WLRN equipment with Allianz is \$500,504. Staff is currently negotiating the placement of this coverage, and any additional premium, if any, will be brought back to the Board at a future Board meeting for authorization.

Following lengthy negotiations, the annual premium for the package policy has increased from the expiring premium of \$22,174.89 to \$30,470.75, effective July 1, 2003, including terrorism coverage, pursuant to the requirements of the Terrorism Risk Insurance Act of 2002 (TRIA). The annual premium for the excess liability (umbrella) coverage of \$1 million in excess of the primary package liability limits has increased from the expiring premium of \$1,811 to \$1,995, including TRIA coverage. Staff is recommending renewal of these programs, and feels that the premium increases as negotiated are fair, based upon the increased exposures being insured, and the current restrictive insurance marketplace, especially in the reinsurance market.

In discussions with staff at WLRN, it appears that work on a Request For Proposal (RFP) may begin to seek competitive proposals for a company to provide tower management of the Board's two transmitter towers. The Office of Risk and Benefits Management has expressed an interest in participating in this endeavor, as it may be more cost effective in the future to have a tower management company provide needed property and liability insurance coverages for the Board-owned towers.

RECOMMENDED:

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

1. renew the broadcaster's package policy with Vigilant Insurance Company (CHUBB)(A.M. Best A++ XV), through Arthur J. Gallagher & Co., for specified limits of property and liability coverages, effective July 1, 2003 to July 1, 2004, with an annual premium of \$30,470.75; and
2. renew the commercial excess umbrella policy with Federal Insurance Company (CHUBB)(A.M. Best A++ XV), through Arthur J. Gallagher & Co., for specified limits of liability, effective July 1, 2003 to July 1, 2004, with an annual premium of \$1,995.

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