

Rudolph F. Crew, Ed.D, Superintendent of Schools

SUBJECT: EXCESS LIABILITY INSURANCE PROGRAM

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

At the Board meeting of May 19, 2004, the Board authorized renewal of its General/Automobile/Professional Liability Errors and Omissions insurance coverage with United Educators Risk Retention Group (A. M. Best A VIII)(UE), through Arthur J. Gallagher & Co., for five one-year terms, effective July 1, 2004 to July 1, 2009, subject to an annual premium of \$497,786, and a surplus allocation charge of \$24,500, representing 5% of the expiring annual premium (2003-2004), of \$490,000. This authorization was received from the Board pursuant to its authority under State Board Rule 6A-1.012(11), which provides authorization for a district School Board when purchasing insurance, entering into risk management programs, or contracting with third party administrators, to make such acquisitions through the bid process, or by direct negotiations and contract.

UE currently provides excess insurance coverage to more than 1,100 member universities, independent schools, public school districts, public school pools, and related organizations throughout the United States. As education's own insurance company, the resources which are available through UE are vast. The company's mission includes:

- Meeting the specific liability insurance needs of educational clients;
- Pricing coverage predictably and rationally based upon educational losses, avoiding the high risk exposure of commercial insurance;
- Identifying emerging liability issues and assisting administrators to create sound policies and practices to manage risk and reduce loss;
- Handling of claims fairly, quickly and proactively to support the effective resolution of dispute; and
- Partnering with institutions and broker who manage risk and control losses.

E-71

Staff feels that the current structure of the program, and the Board's relationship with UE are critical to the success of the district's liability insurance program. Based upon an analysis which was completed comparing the actual costs of the current program, including insurance premiums, and claims costs, versus the cost of having continued the more traditional insurance approach in the commercial marketplace, which was in place prior to July 1, 1991, it is estimated that the Board has saved more than \$8 million over the past 14 years.

The current annual premium for the program is \$497,786. The renewal premium for the 2005-2006 policy is slightly less than expiring, resulting in an annual premium for 2005-2006 of \$493,120, representing a \$4,666 decrease. Last year, UE announced that it would utilize a portion of the annual premium for surplus allocation, which amounted to 5% of the expiring premium of \$490,000, or \$24,500. This surplus allocation, along with the surplus allocation of all 1,200 owner/policyholders, comprises all of UE's capital/surplus. All UE policyholders are owners of United Educators Risk Retention Group, and do have the same percentage surplus allocation.

The surplus allocation requirement for the 2005-2006 policy year has been reduced from last year from 5% of expiring premium to 4% of expiring premium. Based upon the current annual premium of \$497,786, the required surplus allocation for this renewal is \$19,911. Staff is recommending that as part of the second year's renewal of the current five year program, that UE receive a surplus allocation payment for policy year 2005-2006 of \$19,911.

RECOMMENDED:

That The School Board of Miami-Dade County, Florida confirm payment of the annual premium for its renewal of excess General/Automobile/Professional Liability Errors and Omissions coverage in the amount of \$493,120, and authorize payment of surplus allocation charge, pursuant to the terms of the Board's subscriber's agreement with United Educators Risk Retention Group (A.M. Best VIII), through Arthur J. Gallagher & Co., in the amount of \$19,911, representing 4% of the 2004-2005 annual premium of \$497,786, effective July 1, 2005, for the 2005-2006 policy year.

The appropriation for this item will be included in the General Fund of the 2005-2006 Tentative Budget to be recommended for adoption in July, 2005.

RFC:sc