

Financial Services  
Richard H. Hinds, Chief Financial Officer

**SUBJECT:                   REQUEST FOR RENEWAL OF EXISTING COVERAGES INCLUDING FACILITIES USE, EXCESS LIABILITY, POLICE PROFESSIONAL LIABILITY, WLRN PACKAGE LIABILITY, AND COMMERCIAL PACKAGE POLICY FOR NEW WORLD SCHOOL OF THE ARTS**

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

**LINK TO DISTRICT STRATEGIC PLAN:       IMPROVE FINANCIAL SERVICES**

State Board Rule 6A1-1.012(11) allows District School Boards to purchase insurance, enter into 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, 2009:

**FACILITIES USE**

School Board Rule 6Gx13- 1D-1.10, Use of School Board Facilities – Application and Approval, requires outside users of School Board facilities to provide proof of liability insurance coverage. The Office of Risk and Benefits Management is responsible for obtaining and verifying all coverages provided by outside entities that rent District facilities. If the renter does not carry their own liability coverage, the renter can procure such coverage through the Board’s Facilities Use Liability Insurance Policy at very attractive rates.

As of June 5, 2009, premiums collected from users of the Facilities Use Policy for scheduled activities which run through the end of the 2008-2009 school year total \$9,440. These premium collections from outside organizations represent a cost offset to the total paid premiums for fiscal year 2008-2009 of \$13,291.25, which was authorized by the Board at its meeting of June 18, 2008.

Renewal terms for this coverage, effective July 1, 2009 through June 30, 2010, include a deposit premium of \$12,660.35, including all State of Florida fees representing a reduction in the premium for this coverage of 4.7%. This reduction is a result of staff being successful in negotiating terrorism coverage in conformance with Federal Terrorism Laws (TRIEA/TRIPA) as part of the base premium. A report listing entities that utilized this policy during fiscal year 2008-2009 (as of May 15, 2009) is being provided to the Board under separate cover.

**EXCESS LIABILITY**

At the Board meeting of June 18, 2008, the Board authorized renewal of this program, effective July 1, 2008 through June 30, 2009, with a total premium, inclusive of all State of Florida fees of \$297,739.

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 brought against the Board consisting of general liability, automobile liability, and professional/errors and omissions liability. Since the program's inception in 1991, when staff recommended the abandonment of purchase of traditional liability coverages, the District has been successful in saving approximately \$9,000,000 taking into consideration premiums and claims paid for liability issues, as compared to what the premiums would have been for a more traditional transfer of risk program.

United Educators Risk Retention Group has been a leader in providing insurance and risk management resources to educational institutions including K-12 public, private and parochial schools. In addition to providing excess coverage, the value added benefits of the Board's membership in this Risk Retention Group include access to materials related to school liability, loss prevention and resources including seminars provided by national experts in the field of education liability.

Because of the value this program provides in terms of savings, stability, and as a deterrent to plaintiff counsel who bring suit against the Board, its members, staff and agents, renewal negotiations were conducted for a new policy term consisting of five-year renewals, effective July 1, 2009 to July 1, 2014, subject to appropriate cancellation provisions and annual re-rate. Annual premiums for coverage effective July 1, 2009 through June 30, 2010, consisting of current coverages and benefits are \$271,028, representing a 9% reduction in premiums from the expiring policy year.

The terms of the Excess Liability insurance program are as follows:

- INSURER: United Educators Risk Retention Group (UE) (A.M. Best A VIII)
- LINES OF COVERAGE: General Liability, Automobile Liability, School Leaders' Professional Liability Errors and Omissions
- FORM: Occurrence, except Claims Made coverage for School Leaders' Professional Liability Errors and Omissions
- RETROACTIVE DATE: August 1, 1984
- POLICY PERIOD: From 12:01 a.m., July 1, 2009 to July 1, 2014, subject to annual re-rate and cancellation as of July 1, 2010, 2011, 2012, and 2013

POLICY WORDING: As per expiring, including Employee Benefit Liability coverage

PRIMARY LIMITS OF LIABILITY COVERAGES: \$500,000 per occurrence/\$3,250,000 annual aggregate

EXCESS PROF. LIABILITY: \$500,000 excess of primary \$500,000 per wrongful act, subject to an annual aggregate of \$2,500,000

SELF INSURED RETENTION: \$100,000 per claim/\$200,000 any one occurrence applicable to General/Auto/Professional Liability - \$200,000 per wrongful act for School Leaders' Errors and Omissions Professional Liability

ADDITIONAL RETAINED LIMIT: As per expiring policy, the Board agrees to reimburse the carrier for claim payments made within the additional retained limit, not to exceed excess claims payments of \$1,750,000 any individual policy year

ANNUAL PREMIUM: \$271,028 for July 1, 2009 to July 1, 2010, and subject to cancellation and re-rate for remaining four policy periods

POLICY REINSTATEMENTS: For purposes of this program, the Board agrees to reimburse the carrier "dollar for dollar" for losses paid within the limit of liability for any policy year up to \$1,750,000. Following that, additional premium requirements would be 50% of annual premium for claim payments within the next \$500,000 and 100% of annual premium for the next \$500,000 claim payments

#### POLICE PROFESSIONAL

At the Board meeting of June 18, 2008, 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, including State of Florida fees.

Staff has been successful in obtaining renewal terms for this coverage, effective July 1, 2009 through June 30, 2010, subject to an annual premium of \$140,895, including State of Florida fees, representing a 2.5% reduction in premium. The terms and conditions remain per the expiring policy term, including selection of counsel to be determined by the Board Attorney's Office.

## WLRN

Renewal of this coverage for the operations of WLRN Radio and Television was authorized by the Board at its meeting of June 18, 2008. The District currently leases space on a broadcasting tower owned by Channel 2 to house its Channel 17 antennae, and there is a requirement for the Board to carry appropriate liability insurance coverage within the existing contract.

As the Board was told in Agenda Item E-67, Board meeting of June 18, 2008, the analog antenna owned by the Board was to stop functioning on February 1, 2009, in anticipation of February 17, 2009, which was the original date the Federal government has selected to switch operations from analog to digital. The Federal government extended the deadline for that switch which now has an effective date of June 12, 2009.

At this point, WLRN staff has reported that the antenna on the Channel 2 tower will stop functioning on June 12, 2009, subject to any further extensions. Staff from the Office of Risk and Benefits Management has been notified that District staff from WLRN have been successful in their negotiations with Channel 2 to alter the insurance requirements in the Channel 2 lease in order to allow for the current coverage to be non-renewed. Channel 2 has agreed to accept the blanket liability insurance coverage, which covers all District operations, in lieu of the stand-alone liability coverage which has been purchased for the past several years. Therefore, staff is recommending non-renewal of the coverages currently in place for WLRN, effective July 1, 2009, which will save the District \$8,079 in renewal premiums.

## COMMERCIAL PACKAGE POLICY FOR NEW WORLD SCHOOL OF THE ARTS

Since the school's creation, Miami-Dade County Public Schools (MDCPS) and Miami-Dade College (MDC) have jointly purchased appropriate insurance coverages to adequately protect New World School of the Arts (NWSA). Over the past several years, MDC secures proposals for the coverage through their brokers and provides the information to the Office of Risk and Benefits Management to ensure the coverage is appropriate and at a competitive cost for the South Florida marketplace.

Annually, the Board has authorized payment for one-half of the annual premium for such coverages pursuant to the authority provided by State Board Rule 6A-1.012(11), wherein the Board is authorized to directly negotiate and enter into contracts for insurance, risk management programs, or third party administrators, making such acquisitions through the bid process or by direct negotiations and contract.

At the Board meeting of September 10, 2008, the Board was asked to authorize payment for the renewal of the program which had occurred on August 13, 2008 due to the fact that the broker utilized by MDC for this placement had not finalized the terms of the renewal for the August, 2008 Board meeting. District staff is concerned that this upcoming renewal may also be delayed due to the fact that the MDC broker has just begun work on the renewal, and positions within the MDC Risk Management Department have been eliminated due to budget cuts.

In order to provide uninterrupted coverage, staff is requesting that the Board authorize funds not to exceed one-half of the expiring premium of \$16,361.15 so that the renewal coverage can be bound effective August 13, 2009. Subsequent to the successful renewal, staff will prepare an item for the September, 2009 Board meeting confirming the placement and renewal premiums.

**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/TRIPA coverage and state-required fees of \$12,660.35;
2. authorize renewal of the District's Excess General/Automobile/Professional Liability Errors and Omissions coverage with United Educators Risk Retention Group (A.M. Best A VIII), through Arthur J. Gallagher & Co., subject to a \$100,000 per claim/\$200,000 per occurrence self-insured retention for General/Automobile Liability, and a \$200,000 per claim/wrongful act self-insured retention for Professional Liability/Errors and Omissions coverage, for five one-year terms, effective July 1, 2009 through June 30, 2014, subject to annual re-rate and cancellation provisions with a first year annual premium of \$271,028 for paid losses under \$1,750,000, with additional premiums due once losses reach \$2,250,000 and \$2,750,000, respectively;
3. authorize reimbursement to United Educators Risk Retention Group by the Superintendent for claim payments made for the first \$1,750,000, with funds to be taken from either the general liability or automobile liability claims reserve fund, as a result of claims which occur during any policy year, effective July 1, 2009 to July 1, 2014, subject to renewal provisions of the five one-year renewal terms;

4. 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, 2009 through June 30, 2010, with an annual premium of \$140,895;
5. authorize non-renewal of the 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, effective July 1, 2009; and
6. authorize staff to negotiate renewal terms and bind coverage for the Commercial Package Policy secured by Miami-Dade College and Miami-Dade County Public Schools for the operations of New World School of the Arts, effective August 13, 2009, subject to a maximum premium expenditure of \$16,361.15 for one-half of the annual premium.

RHH:sbc